

America is just wild about wisdom, Page 14

Italy and Belgium have both indi-

reticent about the programme, would also consider taking a small

The 11-nation ESA is due to meet

stake.

World news Business summary

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US fears Poland over fall prepares partial in chip amnesty orders

lidarity, the outlawed trade union, General Wojciech Jaruzelski said at Ceneral wojciech Jaruzeiski saud ni the opening of the country's first EUROPEAN Monetary System: Communist Party Congress since Currencies traded quietly last 1981. week. The French franc remaind by

In the presence of Mikhail Gorbachev, the Soviet leader, Gen Jaru- the Italian lina. With the exception zelski told delegates that "anti-state groups" were increasingly isolated and that this meant that "another chance could be given to them to re-turn to normal life."

Several thousand demonstrators were blocked by police when they tried to march in Poznan after a mass to commemorate the 1956 riots in which dozens of workers were shot by security forces. Page 18

World Cup win

Argentina beat West Germany 3-2 in the World Cup final.

Peru coup warning

Former West German Chancellor Willy Brandt, who returned from a visit to Peru last week, said that there was an imminent danger of a coup there. He said left-wing guerilla violence was helping to pave the way for a takeover hy forces opposed to Peruvian President Alan Garcia.

Pope for Colombia

Pope John Paul will leave Vatican City tomorrow for a week-long trip to Colombia. He will visit the site of Armero, the city buried last year when the Nevado del Ruiz volcano erupted.

Bomb attack foiled

Police found 40kg of explosives planted near the West German nu-clear power station of Grundremmingen, police in Bavaria said. Letters demanding closure of the plant were also found.

The Polish authorities are prepared A SHARP decline in orders has the to free some political prisoners be-US semiconductor industry worried cause of the waning infinence of So- that its recovery may have stalled. Page 22

No. 29.967

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the strongest currency followed by of the Irish punt other currencies were placed close together at the bottom. However none was close to

> EMS JUN27,1986 2.25% ... GRID 0.0K ____

5x___ECU Divergence ECU Pariet

ts divergence limit. The D-Mark

signs that West German interest rates would not be encouraged to fall. Speculation before the fall of the Italian Government had no effect on the lira.

The chart shows the two constraints

the Italian head of state, today be-gins consultations with political his resignation. The Socialist

Reagan likely to shift emphasis of **Pretoria** policy

FINANCIAL TIMES

EUROPE'S BUSINESS NEWSPAPER

Monday June 30 1986

BY REGINALD DALE, US EDITOR, IN WASHINGTON

THE REAGAN Administration has working closely with Britain, which begun a major reappraisal of its shares its opposition to sanctions, policy of "constructive engagement" to try to foster a negotiated settleowards South Africa, in the light of

continuing intransigence by Pretor-ia and pressure from the US Con-gress, a senior US official said at and the National Security Council the weekend. Although the review would prob-Although the review would prob-ably lead to a "shift of emphasis" in the official said. It could lead to exably lead to a "smith or emphasis in the unit of and more open contacts US policy, it was not likely to in- panded and more open contacts volve support for further US eco- with black leaders, although Washvolve support for infinite to sec-nomic sanctions, which Mr Beagan continues to oppose. Rather, it would concentrate on trying to pro-mote a dialogue between the white government and moderate black leaders, the official said. Main blue beaters, entitled when ington would try to avoid the more Marxist-leaning members of the ANC and other opposition groups. The review comes amid mounting frustration in Washington over Pre-turie's declaration of a state of toria's declaration of a state of

In that context, the official re emergency earlier this month, desvealed that Washington had quietly opened indirect contact with leadpite Mr Reagan's repeated appeals for restraint, after the increased level of violence and reports of the ers of the banned African National growing radicalisation of young South African blacks. The Adminis-Congress (ANC), which Administration conservatives had in the past denounced as a Communist front. tration is also concerned that Pre-So far, the purpose of the contacts toria appears to be becoming more was mainly "information gather- contemptions of world opinion

At the same time, pressure for more US sanctions is growing desing." Washington would also put out feelers to Mr Oliver Tambo, the pite the recent House approval of legislation that would impose a resident of the ANC, who held his Government at ministerial level in Africa, except for imports of certain condon last week, the official said strategic materials. The Bill would seek a negotiated solution is Washington was reported to be give US companies six months to eration with the UK Govern

Cossiga starts talks to

"constructive engagement", Wash-ington has been trying to work through behind-the-scenes diplomatic manoeuvres rather than sanctions, which it argues to be in-effective and damaging to the black Nevertheless, a senior official said that one reason for the policy review was the recent report by the

try

Commonwealth Eminent Persons Group, which concluded that Pre-toria was not interested in negotiating and called on the US and other countries to impose wide-ranging economics sanctions. The official added that Washing

the official said. Under the policy of

ton believed that the Common wealth group had given up too ear-ly. The Administration would now like to pursue a similar attempt to seek a negotiated solution in co-op-

Mission to South Africa defended by Howe

By Peter Riddeff in London

SIR GEOFFREY HOWE, the UK Foreign Secretary, yesterday claimed that his mission to South close their operations in the com Africa next month had the backing not just of the EEC but also of world opinion. Although the legislation has little

chance of approval in the Republi-can-led Senate, the White House is His comments were made in face of widespread criticism of the agreement on Friday by the EEC heads of government to send Sir Geoffrey to South Africa and mean-while to delay any decisioa on the imposition of sanctions. fully aware that the general mood in Congress is in favour of tougher action. The US would still continue to re-main "engaged" in South Africa to try to influence the Government,

No date has been fixed for the visit, but it is almost certain to be towards the end of July, depending on talks with the Pretoria administration about the status and scope of the mission. This would be just before the Commonwealth leaders meet in London in early August. There were further reports over the weekend about possible Common-wealth diplomatic reprisals against the UK if sanctions are not agreed

The British approach is being closely co-ordinated with Washington and Tokyo, and a meeting i possible, though not yet confirmed, next month between Sir Geoffrey and Mr George Shultz, the US Secretary of State, especially since the Soviet Foreign Minister will be visiting London in a fortnight's time.

During an interview on BBC ra-cio, Sir Geoffrey stressed the inter-national nature of current discussions. He said it was 'very impor-tant' for his mission to be seen in the role of Britain's presidency of the EEC at the invitation of the 12 member countries, so that "any unwillingness to respond to that mission will not just be saying no to me or Margaret Thatcher but to the whole weight of the European Community.

Stressing the "foolishness" of driving the Pretoria administration into a laager, be said he would not be going with "a hig stick" but with the aim of supporting those who wanted change, including a large part of South African political and There was only a slender prospect of an accord on quotas being reached and delegates were talking business opinion and even part of about the need to convene another conference in August. Evea thea a plausible pact would require a dras-tic modification of demands for sub-stantial increases in quotes for the stantial increase the Government. He would be going with "the overwhelming weight of per, Il Populo, àc the Socialists of practising "eutha- commonsense and moral justice felt nasia" by voting against their Gov- by the whole world." At the end of his six-day visit to South Africa and Zambia, Mr Denis Healey, the UK Labour Party's shadow Foreign Secretary, said from Lusaka that black leaders and the United Arab Emirates. would not see Sir Geoffrey because they considered him "the emissary of Mrs Thatcher." Mr Healey artimate a stock huild-up in the Aprilgued that the Commonwealth lead-June period averaging as much as 2m barrels a day (b/d), largely as a result of the surge in members' proers must back "really meaningful sanctions."

Bonn supports Hermes space programme

BY PAUL BETTS IN PARIS

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WEST EUROPEAN countries have group already chosen to lead the industrial consortium for the Euro-pean shuttle by CNES, the French agreed to support the French-de-signed FFr 20ba (\$2.85bn) Hermes national space research agency. France would like to see West manned space vehicle programme after a three-day meeting in Paris of the European Space Agency Germany become the second main partner in the programme with a 28 (ESA).

The meeting saw West Germany, which has been extremely reticent about the project, vote in favour of to 25 per cent share of the development costs. turning the programme into a Euro-pean collaboration. cated that they would be prepared to take 13 per cent and 7 per cent stakes respectively, while the UK, which like West Germany has been

France has long sought to win Bonn's backing to construct two spacecraft, which would be slightly smaller than the US space shuttle and be able to carry six astronauts each by 1995-96.

But Bonn up to now has shown again in the autumn to define the only lukewarm support for the pro-ject. Mr Helmut Kohl, the West programme's preparatory stages, including work-sharing and finan-cial participation. The official go-German Chancellor, only recently reiterated Bonn's position that it ahead to launch the European would wait until next spring before deciding whether to back the prospace shuttle programme should be given, if consensus is maintained At the ESA meeting, however, the West German representative,

by the participating governments, in the spring of next year. But the ESA believes the project with a wide majority of particihas now made a significant step forpants, voted in favour of transformward by adopting the necessary enabling resolution to go for the pro-ject's preparatory phase. The meet-ing showed that European couning the French-inspired project into a European collaboratioa programme France intends to finance about tries wanted to work together to-

wards "ensuring Europe's indepen-dence in space," according to a 50 per cent of the programme, which is to be headed hy Aerospatiale, the French state acrospace statement from the agency.



BY RICHARD JOHNS IN BRIONI, YUGOSLAVIA

MEMBERS of the Organisation of duction to over 19m b/d this month. Petroleum Exporting Countries Proposals under discussion were (Oper) were last night considering drawn up by Dr Subroto, the Inproposals for a new output-sharing system under a ceiling of 17.9m har-rels a day during the fourth quarter of 1986, agreed upoa by the majori-vidually and devising a formula ac-

ceptable to as many as possible. A majority of nine of the 13 members agreed that a ceiling of 17.9m

Cast state of the failed to make any progress against the French franc despite strong

on European Monetary System ex-change rates. The upper grid, based

an the weakest currency in the sys-tem, defines the cross rates from which no currency (except the lira) may move more than 2%, per cent. The forcer chart gives each currency's divergence from its "central rate" against the European Curren-cy Unit (ECU), itself a basket of Euopean currencies.

resolve Rome crisis BY JAMES BUXTON IN ROME PRESIDENT Francesco Cossiga, Mr Craxi staying in office, but only

on a strictly temporary basis. They would insist that he undertook to leaders aimed at resolving the gov-ernment crisis which broke out last hand over office to a Christian Friday when Mr Bettino Craxi, the Democrat prime minister towards Socialist Prime Minister, submitted

the end of this year, and to emphasise the temporary nature of the ar-rangement, would insist that the

ship does not appear to be averse to vote of confidence held by a roll call

The Christian Democrats strenu onsly deny that their days, frequent-ly undisciplined, members of parliament were among the 21 or so De-puties who switched sides between votes. The Christian Democrat par-

Camp evacuated

Twenty-one wounded Palestinians were evacuated from two refugee cumps as Lebanese troops enforced a peace plan to curb fighting be-tween Amai and Palestinians in Beirut's Moslem sector.

Air raid 'kills 5'

Iran said Iraqi aircraft bombed two ments, say banking and diplomatic villages, killing five civilians and wounding 28, after Iraq gave a warning of a new "war of cities" over Iranian missile strikes against its northern oil town of Kirkuk. Iran denied attacking residential areas.

Murderer hanged

"icusse! Issakan, 38, was hanged in a Tehran square near the home of a woman and two children he killed in April. The dawn execution was watched by 200 people.

UK election pointer

The British Government's legislative programme to be outlined in the Queen's Speech in November will be lighter than in the past three years to allow for a possible general election in the autumn of 1987. Page 18

Hindus arrested

Indian police arrested more than 100 Hindu militants in pre-dawn three days of lobbying Woolworth raids to try to avert violence during shareholders. Page 5 raids to try to avert violence during a Hindu protest in the Punjab state.

Fishing boat selzed

Spanish coastguards seized a French fishing boat and seven crew in Spanish waters off the Basque coast close to a disputed fishing ground.

Branson's record

Challenger II crossed the finishing line off south-west England more than two hours inside the previous record for a transatlantic sea crossing.

World Trade 4

Britain 5-8

Companies 24-25

up at 17,547.42 after its Saturday half-session. World stock markets, Page 33 power by Mr Craxi. EGYPT has asked international consortia to extend until December 25 bids for a \$1bn auclear power plant, the second delayed decision. Page 4. Egypt has fallen almost \$1ba behind on foreign debt repay-

TOKYO: Nikkei index closed 46.99

WESTERN governments will be forced to increase reliance on oil and gas for electricity generation in the 1990s unless they take prompt decisions to build new auclear or coal-fired power stations, says the Paris-based International Energy

SOUTCES.

SOVIET hard currency earnings declined sharply due to the drop in the value of oil exports. Page 4

by the US and EEC to lower their substantial protectionist barriers to deflect restrictive trade pressures in their overseas markets. Page 4 UK PUBLIC spending should be cut

DIXONS, the UK electrical retailing group, and Woolworth Holdings, the target of its £1.8bn (\$2.72bn)

WOOD GUNDY and Gordon Capital Corporation have called off a

firm. Page 19 AMERITECH, one of the seven regional Bell telephone companies, has won a US court ruling allowing

it to make telephone equipment overseas. Page 22

CONTENTS -

Richard Branson's Virgin Atlantic UGANDA AIRLINES, the country's national carrier, will reduce its workforce of 1,100 by 40 per cent as part of a plan to bring the ailing company back into profit, general manager Adoko Nekyon said.

Agency, Page 18

ASEAN countries have been urged

from the 16 countries involved in it.

prove about a further 50 joint develhy 30 per cent over the next decade, opment projects involving compa-nies from different European coun-tries, in addition to the 26 already say the Institute of Directors. Page 7 agreed. They also plan to establish permanent Eureka secretariat

and decide on a site for it. Today's meeting, which will be chaired by Mr Paul Channon, Brit-ain's Trade and Industry Secretary takeover bid, today begin the final comes just over a year after the French Government first suggest

Eureka as a European response President Ronald Reagan's Str gic Defence Initiative Star Wars Initially proposed as a scheme collaboration in defence technol Eureka has since evolved into a gramme for encouraging joint velopment of commercial prod

and services with clearly-defi market applications, particularl the area of information technok

Participants include all 12 1 member-countries and the Et peen Commission, plus Aust Finland, Norway, Sweden, Swit-land and Turkey. Although Eur

Big Bang: the d gents Management: ' US business ...

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 Europe's grow high-tech wave Editorial com UK takeover b

largest in the five-party, centre-left coalition after the Christian Democomposition of his Cabinet remained much the same as it is now. The differences between the two crats, made clear over the weekend parties were aggravated at the that it intends to fight for a return ekend by a continuing exchange The Socialists are likely to insist of accusations over who was responsible for the Government's de-feat in parliament on Thursday that Mr Cran's position in a new government is reinforced by a sweeping Cabinet reshuffle and

The coalition was beaten by 27 that his coalition partners, the votes on a local government finance bill in a secret ballot, only minutes Christian Democrats, impose no limit on how long be stays in office. The Christian Democrat leaderafter winning by a margin of 108 a

ernment

According to this theory, many Socialist members, whose total strength is 73, cast their votes against the Government, adding to the number of dissidents from other parties, in order to create the itions for Mr Craxi to resign CO and then insist on being given more

Continued on Page 18

A maximum of 17.4m b/d will be

and the United Arab Emirates. Opec is bracing itself in the short-term for a probable collapse in prices to below \$10 per barrel in the make of this meeting. Its experts esagreed by 10 of the 13 at the last conference in Geneva in April.

Continued on Page 18

Ministers to boost Eureka with 50 more development projects

BY GUY DE JONQUIERES IN LONDON

EUREKA, the European pro-gramme of industrial collaboration has no funds of its own, many companies taking part in it are receiv-ing support from their national govin high-technology, is due to receive fresh impetus at a meeting in Loudon today of about 40 ministers

Projects approved since the last Eureka ministerial meeting in Han-over, West Germany, in November include joint work by companies The ministers are expected to apfrom two or more European countries on advanced microchip technology, robots, computer software, medical diagnostic equipment and leather treatment techniques. Full details of the 50 projects due

to be approved today have not been ut a total of 20 British

are involved in about According to Mr Geof-

Strasbourg, with the former the fa-voured candidate. The meeting will also discuss how to respond to approaches from countries including Iceland and Yu-goslavia which have expressed interest in joining Eureka. Some par-

expected to keep subsidies below

the high levels previously planned. The ministers are expected to de-

cide to set up a small Eureka secre-

tariat with about a dozen staff. It

will be based either in Brussels or

ticipating governments, including the UK, do not want to enlarge the programme's membership until it has developed further.

One politically sensitive issue likely to remain in the background expects to provide guarters elsewhere should be al-(\$76.6m) a year in sup-eka projects.

Mr Pattie said last week that he y will come out of the believed such companies should be Support for Innovaadmitted only if they could contriband will cover up ute unique expertise. We are not mpanies resetting up this programme with a f their view to stimulating the technological development of companies eficial ownership lies "se ber

ere," he said.

an high-tech survey, tion IV pent/ Page 16

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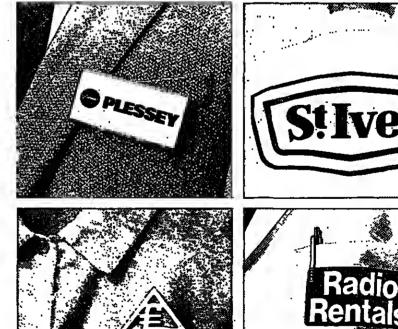
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Section III

Section IV

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hnology:



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Swindon works well. There's no who have profited from it.

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planned merger which would have formed Canada's higgest securities

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OVERSEAS NEWS

Egyptians bank on US for help on debt

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BY TONY WALKER IN CAIRO

EGYPT and the US are expense of its other commit-wrestling with a serious deht ments. service prohlem that if left un. At a time of extreme preswrestling with a serious dent ments. service prohlem that if left un. At a time of extreme pres-resolved could sour relations aurea on the US hudgel deficit, between the two countries. there is little scope for Egypt faces increasing difficul. Washington to help outside the ties meeting its commitments present military and civil aid on its foreign debt, said by appropriation to Egypt which some international authorities amounts to about \$2hn annually. A clutch of Egypt'a senior ment to the US in coloradi.

A clutch of Egypt'a senior ministers, including a deputy prime minister and minister of finance. was in Washington last week talking to Reagan Administralion officials about the debt problem. They secured a US promise to free \$110m in aid linked to economic reform, but no decisions on additional but no decisions on additional bclp.

A mandatory congressional belp. Their visit followed directly one hy Field Marshal Abdel ments under the foreign Halim Abu Ghazala. Egypt's military sales (FMS) pro-Defence Minister, who urged the US to find a solution to his on the two sldes to resolve the country's military debt burden which is rapidly becoming un-one wear in arrears on its mili-

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EGYPTIAN DEBT Loans Category outstandin 2.513 2,157 173 Foreign 4,353 625 Others 9,884 Total

Source: US Economic Trends Washington's dilemma is that

Egypt is only one among some 40 countries receiving military assistance. although assistance, although with political problem," said a US converted to can assistance Israel it accounts for more than official. "Can you imagine which would allow Egypt meet half of the \$21.4bn disbursed what lowering interest rates to under the FMS programme. farmers would do to the At the end of December 1985 hudget?" available for investment and Egypt bad received \$4.5bn com-pared with Israel's \$8.7bn. that it borrowed at very high Other major recipients include rates of interest prevailing solutions."

Turkey \$1.9bn. Spain \$1.6bn between 1979-1984. The and Greece \$1.4bn. average interest rata on Egypt's Various options to assist military deht is 12.01 per cent Egypt bave been studied by US —well above existing rates officials, including providing which are around 8 per cent. interest rale relief, but there The bleak prospect for Egypt are technical barriers to such is that the military debt peak is a course. FMS assistance is still some way off. Repayment provided through the US of principal and interest on Federal Financing Bank at FMS assistance rises from commercial interest rates on \$543.5m this year to \$704m in the date the credit is drawn. 1994 before beginning a slow

US officials worry that if it decline. provided Egypt with interest US officials recognise that rate relief, demands from other Egypt's financial circumstances dehtors for elmilar treatment are such that unless debt relief would flood in. There is also is forthcoming serious political the domestic problem of the problems may arise. huge US farm deht totalling The most likely way around

some \$150hn "That constitutes a real annual ald appropriation be political problem," said a US converted to cash assistance official. "Can you imagine which would allow Egypt meet

villages

the problem is for more of the

weuld retaliate for raids on ctvilian targets. "The heroic Mostem forces of Iran will strongly respond to any criminal act by the Iraqi regime and ... will powerfully defend the civilians," the Iranian News Agency IRNA quoted a war spokesman as saying.

Rothschild supports Israel bank chief in fight to keep job

BY ANDREW WHITLEY IN TEL AVIV

BARON Edmund de Rothschild, Bank, the IDB, is defiantly head of the French branch of refusing to resign. the Rothschild family, has made Backing Mr Recanati, the an unexpected intervention in baron warns that his removal the acrimonious dispute be- by an external body "would by an external body "would permit great abuse, affect negatween the Israeli authorities and the country's top bankers.

permit great abuse, anect nega-tively the image of Israel and make foreign investment in Israel even more difficult." Baron Rothschild defends two other former pillars of Israeli banking. Mr Ernest Japhet and Mr Aharon Meir, who have both resigned amir. The bankers are accused of acting as a cabal in manipulat-ing the local stock market over

age of their institutions and themselves. The subsequent crash of the stock market, in October 1983, has had far-reaching consequences. In a telegram to Prime Minister Shimon Perea last week, Baron Rothschild, whose family played a prominent role in the founding of the state of Israel, attacked the conclu-sions of the government-appointed Beijsky inquiry into the bank share scandal. "I am disturbed and ahocked hy the fsct that a temporary commis-sion substituted itself for the

disturbed and abocked by the fsct that a temporary commis-sion substituted itself for the permanent judicial authorities of the country." be said. The Commission's findings and recommendations — includ-ing the dismissal of virtually all Israel's top bankers — were publisbed in April. Since then the beads of Bank Leumi le-Israel, Bank Hapoalim, and United Mizrahi Benk bave down, But Mr Rapbael Recanati, chairman of Israel Discount

Cabinet postpones decision on Shin Bet inquiry

Last week's deal was an alternative to holding an inquiry into the alleged cover-np and consequent framing of e top army officer, during previous investigations into the beating to death of two Palestinian bus bidactors in Avril 1994 hi-lackera in April 1984,

argument for and against the probe bas now become more

political, with the resignation threats of the three left-leaning

ministers seen by their coalition

in the polls hut he has ignored frequent calls from some mem-bers of his party to dissolve the cabinet and force elections.

The right is prepared to fight any election engineered by the left wing of the coalition govero-ment, as Mr Ehud Ilmert, of the Likud, Indicated yesterday, Warning Labour about its poli-"They had better watch it be-cause they might get elections —and they might regret it."

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BY LYNNE RICHARDSON IN TEL AVIV THE Israeli cabinet averted a looming crisis yesterday over whether to initiate an inquiry Minister Perese is riding high 1 3 AR RAN SOM HER SEATS looming crisis yesterday over whether to Initiate an inquiry into Shin Bet, the internal security service, by deciding to postpone any decision. Resignation threats by three left-leaning cabinet ministers and four no-confidence motions and four no-considence motions were signs of vociferous opposi-tion to the deal worked out last week by the inner cahinet, whereby Mr Avraham Shalom, the head of the Sbin Bel, was to resign and be granted an automatic presidential pardon, Three of bis top aides, wbo retain their posts, were also pardoned. pardoned. Last week's deal was an





which is rapidly becoming unone year in arrears on its mili-manageable, except at the tary debt to the US.

to the polls next Sunday, most of them will vote for the 30 years, writes Carla Bapoport from Tokyo. The number of seats the LDP wins however will determine whether Prime stays on for another term or tion is out of the queation, but

WHEN JAPANESE voters go losea his job to a party rival, to the polls next Sunday, most Mr Nakasone himself is a of them will vote for the focus for the campaign by Liberal Democratic Party just Japan's opposition parties, led

they remain committed to elect-ing a socialist prime minister and local government in favour ists to form a coalition of some within the next decade. of increased military spending. Sort with one of the other five

In recent months, the JSP opposition parties, or perhaps a

Iran said Iraqi warplanes yes-terday bombed two villages, killing five civilians and wounding 28, after Iraq warned of a new "war af elites" over Iranian missile strikes against its northern oil town of K Kirkuk, Reuter reports from Bahrain. Tehran Radio said bombs hit Saadi and Abudi villages, 37 miles east of the southern Gulf war front, and near the

Iraq bombs

Iranian

Gulf war front, and near the town of Shadegan. Victims incloded women and children. The bombings followed re-ported Iranian air strikes on

a period of years to the advant-age of their institutions and themselves. The subsequent crash of the stock market, in October 1983, has had far-reaching consequences. ported framen all strikes on two tankers on Saturday in-side the 12-mile territorial limit of the Untted Arab Emirates (UAE), in what appeared to be Tehran's closest inshore raid so far on the Arab side of the Gnif.

the Arab side of the Ghit. There was no immediate comment from the UAE authorities on the attacks in Dubai anchorage, previously regarded as safe. Iraqi regime and ... will the Chedocan state.

the Shadegan area a number of times in recent months, but yesterday's raid followed fresh Iranian declarations it would retaliste for raids on

Head office in Chicago require complete printouts of your total European stock levels by the morning. You've missed the last post.

Heathrow is fogbound.

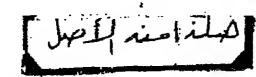
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partners on the right as a histant ploy to force elections. A poll would stop the agreed plan for Mr Yitzhak Shamir, of class postage paid at New N.Y. and at additional mail the Likud, to take over the premierahip from Lahour's Mr ces. POSTMASTER changes to FINANCIAL TIMES, 14 East 60th Street, New York, N.Y. Shimon Peres in October. Having achleved success both in stabilising the economy and **OWEN OWEN CHARGE CARD ANNOUNCE A REDUCTION IN** INTEREST RATES WE ARE PLEASED TO ANNOUNCE, TO OUR CHARGE CARD ACCOUNT HOLDERS, A REDUCTION IN INTEREST RATES. THIS **REDUCTION WILL BE APPLIED** TO ALL CHARGE CARD ACCOUNT STATEMENTS PRODUCED FROM 7TH JULY 1986 (INCLUSIVE).

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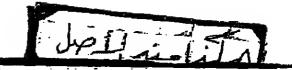
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INES.



OVERSEAS NEWS

Pretoria allows Brandt warns of **Buthelezi** to Peruvian hold Soweto rally coup danger

BY ANTHONY ROBINSON IN JOHANNESBURG

THE South African Govern ment yesterday permitted Chief Mangoauthu Buthelezi, leader of 6m Zulus, to bold a political rally thinly disguised as a prayer meeting in Soweto's Jabulani stadium. This was in spite of the blanket ban on political meetings, wide ranging gags on the media and the arrest of thousands of political opponents, trade union and community leaders.

Por

It was the first time that Chief Buthelezi has addressed a major political rally outside hia Kwazulu/Natal power base since November 1984. He used the occasion both to condemn black on black violence and bighlight the potential import-ance of the government's offer to create a National Statutory Council chaired by President P. W. Botha.

P. W. Sotha. The council would enable blacks not only to discuss "at the highest levela" proposed legislation but also provide their input to proposals for a new constitution to replace the prosent tricemere parliapresent tri-camera parlia-mentary system, flawed by the absence of any kind of parlia-mentary voice for the 73 per cent black majority. Later unconfirmed

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Later unconfirmed reports from Soweth said five migrant bostel workers ware killed after a running battle between Zulu Inkatha supporters and those of other tribes while several buses carrying Inkatha sup-porters nut of the inwnship were stoned as they passed through the creater through the streets. Chief Buthelezi arrived at the stadlum by belicopter while several thousand of the esti-

several thousand of the esti-mated 18-15,000 Zulus present were bussed into Soweto It is not permitted under the media restrictions of the state of emergency to describe the security arrangements provided by the South African and Zulu Delically named since to be officially named since the emergency was declared on June 12. Mr Buthelezi told the atten-tive and responsiva crowd that no one was more angry than be at the burnilation heaped and content of declared on June 12. police,

by the South African and Zhiu be at the buildent of the police, For Chief Buthelezi the re-apartheld. But he warned against blacks by decades of apartheld. But he warned against blacks misdirecting the stood before his sup-porters as the apostle of non-violent change, an opponent of millions of moderate blacks who fear and supporter of millions of moderate blacks who fear and oppose violence, are desperately ctinging to their children educated for better things In a future non-racial



Mr P. W. Botha-called apon to release Mandela

Mr Brandt, who is also ensirman of the SPD, was in Lima for a meeting of the Socialist International, which took place amid bloody prison riots by left-wing Sendero Luminoso (Shining Path) guerrillas. The revolts were guashed by the military with the lose of st loast 155 lines Pretoria at a time when regime are being detailed. These include over 900 prominent trade unionists the loss of at least 156 lives Leftist gnerrillas bombed a police station and three offices of the raing party overnight at the weekend, police said, as President Garcia accused the Republican Guard of executing over 100 Sendero immates during the prison riots according to a report issued by the labour monitoring group of Witwatersrand university. Over the weekend Mr Zwelokhe Sisulu was detained. Mr Sisulu is editor of tha new nation bi-weekly and son of ANC official Mr Walter Sisulu, in joil tograther with Mr Nelson

ANC official Mr Waiter Sisulu, in jail together with Mr Nelson Mandela and other ANC leaders. Mr Sisuln's arrest— according to bis wife by four white men including two whose faces were bidden by bala-clavas nn Friday night — was formally admitted by Mr Louis le Grange the Minister of Law Soviet writers replace leaders In an apparent shift towards more liberal attendes in literature in the Soviet Union,

the Soviet Writers' Union, replaced fis. leader of the last 15 years. writer Detail le Grange, the Minister of Law and Order on Saturday night, 15 years, writes Patrick Cockburn in Moscow,

(SPD) executive in Munich that left-wing guerrilla vio-lence was helping pave the way for a takeover by forces

opposed to Peruvian Presi-dent Alan Garcia'a moves towards democracy and social

Mr Brandt, who is also

reform.

Mr Georgy Markov, aged 75, was succeeded as first sec-retary of the union by Mr Viadimir Karpov, the editor of the magazine Novy Mir, at the end of the union's congress which ended on Saturday. Mr Markov was given the ceremonial post of chairman of the union. The chance is important because nn blacks by decades of apartheld. But he warned change is important becau

change is important because the writers' union, with a membership of 10,000, largely determines what works are published in the Soviet Union. Its influence was extremely conservative dur-ing Mr Markov's time in charge.

Italian trade fillip things in a future non-racial After rejecting the arguments South Africa achieved through of those who claim that negotiation not civil war. violence is the only way for-Italy's trade deficit was halved in the first five months of this year, writes Alan

Haughey predicts early election BY HUGH CARNEGY IN DUBLIN tions to boost the still-faltering leader of the Irish opposition Fianna Fall Party, yesterday economy. stepped up bis attack on Dr Garret FitzGerald, the Prime Minister and his Fine Gael-The officially runs until November 1987, but a number of poli-Labour coalition, in the waka

FORMER West German Chancellor Willy Brandt, who returned from a visit to Peru last week, has warned that there is an imminent danger of a sume there Router To of the Government's resounding defeat in last week'a divorce referendum "The political situation is much more unstable now than it of a coup there, Reuter re-ports from Bonn. was before the referendum with the Government's authority and Mr Brandt, the chairman of the Socialist International, told a meeting of the West German Social Democrats

(Prime Minister's) authority and very seriously undermined," Mr Haughey said on Irish radio.

He predicted an early general election and pressed his attack by criticising the Government for not taking advantage of

Call for national unity as Yugoslav inflation soars

YUGOSLAVIA'S Communist already established politicians but several new and younger faces as well.

Party leaders have been charged with unifying an increasingly fragmented nation faced with soaring inflation, and a \$20hn (£13.3bn) debt, Reuter reports from Belgrade. Aleksandr Lebl adds from Belgrade: if the previous failures to implement decisions adopted by congress are re-peated, the four-day meeting may turn out to be less of a The 165-seat central com-

mittee of the Yugoslav party chose a substantially new leadership at the weekend, with near ship at the weekend, with nnly six members keeping their posts in the 28-seat party presidency. The new party president, Mr

Milenko Renovica, from the republic of Bosnia-Hercegovina, called for greater cohesion and a crackdown on nationalism and separatism

Officials said the party's con-Officials said the party's con-gress, which ended nn Saturday, had seen some of the fiercest self-criticism in the history of rates for deposits of three to the communist movement. But many congress delegates com-plained openly that it stopped short of calling to account those responsible for Yugo-slavia'a economie troubles, Secret elections to the cen-tral committee brought in 50 cent in real terms,

turning point than many speakers said. Observers in Belgrade feel time is running out for the Yugoslav economy and that, if stagnation continues, the country will face grave dangers. The dinar depreclated fast last week. It fell by about 10 per cent against the dollar, and is likely to continue Its decline this week. Meanwhile the commercial

MR CHARLES HAUGHEY, favourable international condi-estimated the potency of tha "If there was a 'yes' vote leader of the Irish opposition tions to boost the still-faltering opposition mounted by the it would have undermined the last shred of sympathy for Roman Catholic Church and its Unionist intransigence outside Nortbern Irelaod," Mr Hume Government's term

supporters. Mr Haughey, already well said yesterday. Instead the result has handed the Unionists ahead in the opinion polis, has emerged the main beneficiary of a welcome weapon with which to confront the Anglo-Irish agreement, just as they prepare the referendum baving avoided officially committing himself or bis party on the issue.

The opposition leader bas refused to accept that the vole would make "one lota" of for the emotive annual season of commemorative Protestant marches which go into full swing in the next fortnight. difference in Northern Ireland, dismissing concerns expressed by Dr FitzGerald and Mr John Both the Irish and British Governments bave insisted the accord will not be affected by Hume, leader of the north's Social Democratic and Labour the divorce vote. But, at the least, Dublin's position as cham-Party, that it reinforced parta-tion by underlining the domintion by underlining the domin-ance of the Church in the Republic to which northern cleor denial of minority rights

Protestants so object. In the south.

G5 criticised over exchange rate failures

BY WILLIAM DULLFORCE IN ZURICH

THE VOLATILITY of currency represented. Its first pamphlet was distri-buted at the weekend to a conference in Zuricb of senior economic policy officials and parliamentarians backed by Sen Bill Bradley and Congressman Jack Kemp, two influential US politicians who bave been work-ing for changea to the inter-national monetary system. The "shadow group of seven" takes its name from the seven industrial countries—the US, Japan, West Germany, France and the UK, the Group of Five. represented. rates has been heightened rather than reduced since the Group of Five finance ministers and central bankers acted last September to reduce the value of the dollar,

This increased volatility bas been engendered at least partly by unco-ordinated official state-ments, the failure of the leading industrialised countries to agree on sustainable exchange ratea and ad boc market interventioos by monetary authorities, accordand the UK, the Group of Five. and Canada and Italy--which agreed in principle at a sum-mit meeting in Tokyo in May ing to a group of US bank and university economists.

A more stable exchange rate system calls for clear policy co-ordination by the industrial nations and regular, public identification of what they regard as sustainable rates, the to co-ordinate their economic policies and to devise a set of economic indicators to belp them do so. The New York private group

group suggests. The "shadow group of seven" bas been formed in New York The "shadow group of seven" warns that on again, off-again bas been formed in New York official concern about exchange to present the views nf prac-tising private sector experts on ordination would require International monetary reform, officials to meet regularly to The major New York banks are review economic policies

Austrian **N-protestors** turned back by Bavaria

3

By Peter Bruce in Bonn

BAVARIAN state authorities have sparked off a chain of political rowa by closing West German borders to hundreds of Austrians wanting to travel to a rally in Regensberg on Saturday to protest against the build-ing of a nuclear reprocessing plant in Wackersdorf.

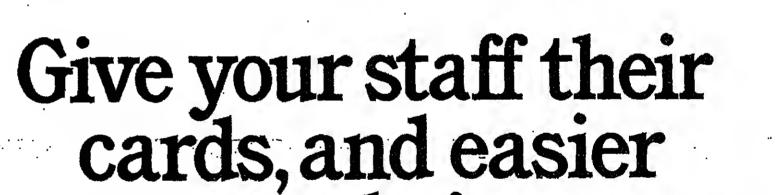
Mr Peter Jankowitsch, the Austrian Foreign Minister, called the move "anachronistic called the move "anachronistic" and a "return to the times of closed borders." The Bavarian Free Democrat Party (FDP) has alao aharply attacked the Bavarian Christian Social (CSU) Government for turning back the Austriane

Government for turning back the Austrians. Organisers of the Regensburg rally said only four Austrians managed to take part in It. More than 3,000 Austrian doctors and nurses bad been expected. Bavarian border police said they had turned back only 322 people. The frontier action is likely in add to the suspicion that

to add to the suspicion is likely to add to the suspicion that Bavaria, under the leadership of Mr Franz Josef Strauss, is prepared to ignore the more delicate wisbea of the Bonn

delicate wishes of the Bonn Government and to act uni-laterally in defending the Wackersdorf project. Vienna has also hinted that it is unhappy at the thought of another nuclear facility be-ing built near Austria, but the Bonn guaranment has tried to Bonn government has tried to treat the matter lightly.

The mounting violence The mounting violence at anti-nuclear protests, and the likelihood that it will get worse, was made stark on Saturday when police in Bavaria say they defused 40 kilogrammes of explosive found packed around two high tension elec-tricity pylons near the Gun-dremmingen nuclear power dremmingen nuclear power plant north west of Municb. An anti-nuclear group claimed responsibility.



leader is not under immediate threat but bittar post-mortems have begun on bow a 20-point lead at the start of the referendum campaign turned into a rout in which tha divorce pro-

posal was defeated by 63.5 per cent to 36.5 per cent. The cent to 36.5 per cent. The Government badly under-

ticians are predicting an election as early as this autumn. Parliament rises this week for the summer recess, so the Government, already in a parliamentary minority, seems safe until then. Dr FitzGerald's position as

negotiation not civil war. Violence is the only way for-But be is too wily a politician ward Mr Bnthelezi added to underrate the dangers of "blacks now bave the bargain-being seen to he accorded such ing power which will ensure preferential treatment from that negotiations will succeed."

Indian GDP forecast to grow at 4% annually

BY ALAIN CASS, ASIA EDITOR

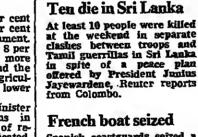
OPPOSITION TO economic re-form, shortage of domestic and international finance and lock of adequate infrastrocture will infrastructure will rise by 8 per conomy for some time to come according to a report published today.

The report, by the Economist Intelligence Unit, forecasts that the Indian gross domestic pro-duct will grow at 4 per cent a year over the next five years, a percentage point lower than the 5 per cent forecast by the current Five Year Plan.

The report says strong vested interests in preserving trade barriers and latent nationalism will act as a break on change in areas such as foreign in-vestment and trade. It forecasts that industrial ment are attainable.

than the official forecast. The Indian Prime Minister Rajiv Gandhi's problems in maintaining the impetus of re-form will be complicated, form will be complicated, according to the report, by the need for higher foreign borrow-ing and India's limited ability repay its growing foreign

debt In the long term, bowever, the report says that, while the targets of the current Five Year Plan are optimistic, the longer term aim for economic develop-



Spanish coastguards seized a Spanish coasignaries seizen a French boat yesterday fishing off the Basque coast, mari-tima officials said, Reuter re-ports from San Sebastian. The ports from San Senastian. Are vessel Henri, registered in Bayonne, was caught in Spanisb waters near the Cape of Higuer, close to a fishing ground that has been the centre of a bitter fishing feud between Spain and France.

Friedman in Milan. Provi-sional figures released yester-

day show that the deficit for the five months ending May 31 came to L7,093bn (£3.1bn) againsta L14,516bn

in the first five months of 1985. The deficit for May totalled L1,075bn, which is 64 per cent below the deficit recorded in May last year.

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Canada unveils plans to boost drug patents

BY BERNARD SIMON IN TORONTO

THE Canadian Government bas facturers within three or four unveiled long-awaited and con-years of launching new protroversial proposals to tighten ducts. In return for greater patent

patent protection on prescrip-tion medicines. protection, brand name com-panies have agreed to increase The proposals, in a draft bill their research and development to be introduced after the summer break, will significantly spending in Canada from 5 per cent of sales to 8 per cent ln weaken the contentious com-1990, and 10 per cent in 1995. A Drug Price Review Board will be set up to monitor prescription drug prices.

weaken the contentious com-pulsory licensing rules in force in Canada for the past 17 years. These rules aim to bring down local medicine prices by requir-ing multi-national pharma-ceutical companies to license so-called "copy-cat" or generic The Government bopes these safeguards will placate vocifer ous domestic critics of the products long before their patent expires. About 125 proposed system, who fear that greater patent protection for multi national pharmaceutical companies will significantly raise local medicine prices. Ottawa will soften the blow to consumer by appriding CS100m generic drugs are now on the market. The compulsory licensing policy has been a big source of friction in commercial relations

consumer by providing C\$100m (£47.4m) in subsidies to probetween Canada and the US and EEC Besides complaints of vinclal health authorities over brand-name drug manuface the next four years. brand-name drug manuface turers have complained that • The US International Trade turers have complained that that the Use of International frace low-cost generic drugs made in Commission has beld in a Canada have been exported to preliminary decision that Can-adian softwood lumber imports africa and the Middle East. If the bill is passed, patent are injuring US lumber pro-holders' exclusive rights will ducers. AP reports from be extended to between seven Washington. The ruling could lead to stiff

preliminary decision that Can-adian softwood lumber imports are injuring US lumber pro-ducera, AP reports from Washington. The ruling could lead to stiff duties on future Canadian imports. The decision was a and 10 years. Drugs totally developed in Canada will be given full 17 year patent pro-tection. Multi nationals bave tection. Multi nationals bave victory for a US industry which recently been required to is seeking duties of op to 27 license local generic manu- per cent on Canadian imports.

WORLD TRADE NEWS

extension

on nuclear

plant bids

By Tony Walker In Cairo

bids antii December 25.

Egypt has asked international

improve their effers for the el Dabba project on the Medi-

At least one of the three bidders, Kraftwek Union of

coast, west of

terranean Alexandria.

Cairo seeks **Oil price hits Soviet earnings**

BY PATRICK COCKBURN IN MOSCOW

THE DROP in the value of Soviet Union's hard currency Soviet oil exports led to a earnings come from the sale of crude oil. The country's ability to import is being hit by the drop in other fuel and sharp decline in hard currency earnings in the first quarter of the year, according to official

figures. The fall in oil exports to 3.2bn roubles (£2.9bn), 5 per cent down on the same period last year, is worse than it looks because the severe winter

consortia-bidding for a much-delayed \$1bn nuclear power depressed earnings in early 1985. lant project to extend their Imports during the first quarter, down 12.5 per cent to 4,4bn roubles, means a trade deficit of 1.25bn roubles. Many Western exporters to the Soviet This is the second exten requested this year and indicates Egypt is still some way from making a decision. Com-Union have seen regular orders panies were asked in February to re-submit hids by the end of June in what amounted to a tast chance te

raw materials prices and the weakness in the dollar, in which installe most Soviet exports are denomi-At the same time the new five nated. This is likely to put a severe year plan (1986-90) calls for heavy investment in electronics. constaint on Soviet imports from the West. The Soviet machine tools and the oil and gas industries. Mr Nikolai

foreign trade account recorded a surplus of \$3.2bn in 1984 but a deficit of \$1.7bn in 1985. Borrowings last year were \$1.5bn. Western businessmen in Moscow are waiting to see the

fate of big projects in the curcut back and expected contracts or big projects cancelled or rent five year plan, which was of the output of the Ministry of finally passed last week by the Instrument Making, Automation About 60 per cent of the Supreme Soviet. Despite many Equipment and Control Systems. for big projects cancelled or

Asean pressed on trade barriers

BY CHIERS SHERWELL IN MANILA

THE US and the European reactions to Asean's long-volced

The suggestions came during two days of meetings in Manila two days of meetings in Manua last week between Assean, which embraces Indonesia. Thailand, Malaysia, the Philippines, Singapore and Brunei, and their six biggest trading partners-the US, Japan, the EEC, Canada, Australia and New Zealand. the world's most protectionist practices were used by low-income developing countries.

key manner, the US and EEC

Community have urged the six complaints against them were countries of the Association of public and pointed. South East Asian Nations Mr Claude Cheysson, repre-tial protectionist barriers to slon, said there was protection-deflect restrictive trade pres-sures in their overseas markets. Asean trading relations. It Mr Claude Cheysson, repre-senting the European Commis-sion, said there was protection-ism on both sides of the EEC-Asean trading relations. It would be "fruitful to consider whether your large market is not, at times, unduly protected." he told the Six. Mr George Shultz, the US Secretary of State, sharply reminded Asean that some of

He cited figures showing that Asean exports to the US had Although delivered in a low

grown by \$2.3bn, from about \$14bn to more than \$16bn, between 1983 and 1986, whereas its exports to the rest of the world had declined by \$3.3bn. "I think that tells you where

cancellations or delays, com-

panles which have built plant

in the USSR before hope to

receive contracts to refurbish

or expand the production

capacity of equipment already

Ryzhov, the Soviet Prime Mini-

ster, told the Supreme Soviet last week that only 14 per cent

of the output of the Ministry of

Machine Tool and Tool Making Industry was up to world standard end only 17 per cent

your problem is," he declared. Figures on EEC-Asean trade show the Six's exports to the Community increased only mar-ginally between 1983 and 1985 and have fallen significantly since 1980 from \$9.7bn to \$7.6bn.

However, exports to the Six from the EEC, US and Japan-Asean's three biggest trading partners-have all fallen in recent years.

Finnish shipbu FM 1.2 bn Sov

BY OLLI VIRTANEN IN HELSINKI

A FINNISH shipping group bas of won a FM 1.2bn (£153.6m) ship-ping order from the Soviet The two agreed to incease Union The order coincides with Soviet exports to the tune of talks between Finland and the \$330m a year between 1987 and Soviet Union about the trade 1990. The additional imports to imbalance which is now running Finland will consist of coal, beavily in Finland's favour. Rauma-Repola's order for and motor cars, and include Im imbalance which is now running beavily in Finland's favour. Rauma-Repola's order for and motor cars, and include Im three floating crayfish and fish processing vessels is the biggest the Finnish state oil company, the company has won. It will Neste, will trade on inter-keep its yard at Rauma fully national markets. Uoder the barter trade agree-The deal was signed on Fri-ment the surplus should not day to coincide with a viet to article for the surplus should not fully national markets. Fin-the the surplus should not for the day to coincide with a visit to exceed FM 2bn either way. Fin Finland by the Soviet Foreign land, however, will probably Trade Minister Mr Boris run a surplus of FM 4bn by Aristov, He met senior Finnish the end of this year.

uilder wins	World	Ec
viet order		
ficials in a bid to correct the owing trade imbalance.	UK (Øm)	Experts Imports Balance

990

		1927 Th	April 766	March '84	May TR
UK (<i>L</i> hn)	Exports Imports Balance	5.871 6.537 -0.666	6.038 6.303 0.265	5.733 6.871 0.338	6.903 6.551 +0.252
		April '86	March '86	Feb. '86	April '8
US (Sbn)	Exports	17,965	- 18.913	17.735	17.573
	Imports	30.036	33.435	30,225	29.907
	Balance	-12.071	- 14.521	- 12.490	-11.934
Japan (\$bn)	Exports	17.737	17.447	15.064	14.871
	Imports	10,909	10.997	11.356	10.584
	Balance	+6.828	+6.646	+3.928	+4.287
W. Germany					
(DH bn)	Exports	45.86	44.05	44.41	44.32
	Imports	36.72	35.50	36.86	38.56
	Balance	+9.14	+8.55	+7.55	+5.76
France (Ffr ba)	Exports	71.40.	69,10.	73.87	77.60
	Imports	76.30	71,70	73.79 .	. \$1,30
	Balance		-2.60	+0.08	-4.20

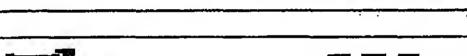
Tanker market weakens	
slightly as Opec meets	
FINANCIAL TIMES REPORTER	

THE tanker market this week Rates in the Pacific are still was somewhat under the cloud

stronger, however, As might be expected, the divergence between the for-tunes of the two markets continues to be reflected in the sale and purchase market. One tanker sale reported is a 70 000 sale and purchase market. One tanker sale reported is a '79,000 tonner, built in 1967, which was expected to be sold for scrap but instead went to Greek buyers for \$2.2m. In bulk carriers, by contrast,

a 68,000 tonner (1978) going to other Greek buyers for \$3.7m (£2.45m) had its price

SHIPPING REPORT



onomic Indicators TRADE STATISTICS

West Germany, has told Egypt it is prepared to extend its financing proposal, subject to the approval of West Germany's Hermes credit agency. The other bidders, Westingbouse of the US and Frama-tome of France, which is heading an Italo-French consortium are expected to fellow suit. fellow suit. Egypt's explanation for the latest delay is that it is awaiting a report from the International Atomic Energy Agency on the Chernobyi disaster. Egypt's financial difficulties have, in any case, put the el Babba project in doubt.

The 1990 World Cup starts today.

The countdown to 1990 has already begun. And if your L company wants to take advantage of the worldwide sponsorship opportunity that soccer's World Cup has to offer, now is the time to act. Our international marketing programme, 'Intersoccer 90,' is already in place. It features sponsorship of top international soccer events over the next 4 years, including the 1988 European Championship in West Germany and the 1990 World Cup in Italy. As you can see, the marketing potential of the World Cup is at work every minute. Intersoccer 90. Think ahead.



ISL Marketing AG, Haldenstrasse 28, CH-6006 Lucerne, Switzerland. Telephone: 041-31 57 31. Telex: 86276t ISL CH. Telefax: 041-31 55 86.



Financial Times Monday June 30 1986 (

UK NEWS

Land Rover unveils new forward control vehicle

BY JOHN GRIFFITHS IN LONDON

LAND ROVER is planning to re-enter the market for forward-control utility and all-terrain vehicles, from which it has been absent for eight years.

A fully developed prototype has been unveiled at the British Army Equipment Exhibition, which opened at Aldershot, west of London, this week.

But unlike previous forward control vehicle production, which took place exclusively for the UK Minis-try of Defence between 1967 and 1978, Land Rover intends to seek both military and civilian custom-

ers for its latest vehicle. In a forward control vehicle, the driver and controls are placed slightly forward of the engine/ transmission unit, which is mounted low down in the chassis close to

the front wheels. The company would give no forecasts of potential production or sales. A version suitable for civilian applications is expected to be avail-able for sale in about a year. However, the first orders for military versions may be announced much

sooner. Land Rover sees the two-tonne payload vehicle as filling a variety of military roles such as communi-

cation unit, personnel carrier or weapons platform. Civilian applications, it suggests

could include airport firetenders, to protect the money of investment cross-country ambulances, breakdown trucks and mobile workshops for public utilities. As with the milifrom the funds of investment firms. The client money proposals of SIB, the nascent investor protection tary versions, the variations could be met by building a variety of bod-ies on the basic Land Rover chassis agency set up under the provisions of the Financial Services Bill, have become among the most controver-

<u>چىيەن ، ،</u> ، ، ، .

Investment in the vehicle, which has been under development for the past two years, is described by the company as low, because it uses mainly existing Land Rover components

The notable exception is the cab, which is of plastic composite panels bonded to a tubular steel and aluminimm frame, and which has been produced by Motor Panels (Coven-

try), the specialist vehicle design and production company also re-sponsible for developing the C49 cab range for Leyland Trucks.

Land Rover is refusing to com-ment on potential market size for the new vehicle, which will come in aluminium pick-up and dropside body versions as well as chassis cab

The banks, in their comments on the draft rules, have asked SIB to

money prompt wide hostility STOCKBROKERS have been kers, who require cash settlement mounting a strong lobby against the draft rules of the Securities and Clive Wolman looks at infrequently. But stockbrokers and dealers in the response from stockbrokers and others to the Investments Board (SIB) which aim

SIB's draft rules on

protecting investment

be granted immunity so that they

should not be held responsible if

money is removed improperly from

a trust account in one of their

clients' money

SIB plans to protect investors'

securities have to make a large number of complex transaction which require the transfer of client money.

Shares that have been bought by their clients have to be paid for at the end of the two-week account period. Money has to be transferre when clients subscribe for rights is sues and meet calls. At the same time, money is being received con tinually on behalf of clients from the sale of shares and the payment of dividends.

At present clients who buy shares often fail to pay their stockbrokers by the end of the account period. In these situations the payment is usually made out of the general pool of money belonging to both clients and the firm.

If each client has a separate ac This has ensured that no stock ex-change investor has ever lost mon-ey through the insolvency of a much stricter in insisting that the member firm over the last 30 years investor has adequate funds in his although they may have had to wait account before he buys shares.

for up to three months to retrieve Stockbrokers acknowledge that computerisation should alleviate The draft rules will impose an in-tolerable administrative burden on tangling the ebb and flow of money its members, the stock exchange into client accounts.

says. Segregated accounts might be The draft rules would give a com-suitable for solicitors and estate petitive advantage to the brokers agents, where a client's money is that are subsidiaries of the clearing used typically for only one large banks which have easy access to

NOTICE OF REDEMPTION

To the Holders of

RICOH COMPANY, LTD. (Kabushiki Kaisha Ricoh)

6%% Convertible Debentures Due 1995

NOTICE IS HEREBY GIVEN to the holders of the outstanding 638% Convertible Debentures Due 1995 (the "Debentures") of Riroh Company. Ltd. (the "Company"; that pursuant to the provisions of Atticle Four of the Indenture dated as of August 1, 1980 between the Company and Morgan Guaranty Trust Company of New York (the "Trustee"), the Company has elected to redeem on July 31, 1980 all of its outstanding Debentures at 103.875% of the principal amount thereof together with accrued interest of \$22,08 tor each \$1,000 principal amount. Interest on the Debentures at 102.875% of the principal amount thereof together with accrued interest of \$22,08 tor each \$1,000 principal amount. Interest on the Debentures at 102.875% of the principal amount thereof together with accrued interest of \$22,08 tor each \$1,000 principal amount. Interest on the Debentures at 102.875% of the principal amount thereof together with accrued interest of \$22,08 tor each \$1,000 principal amount. tures shall cease to accrue on and after July 31, 1980.

tures shall cease to accrue on and after July 31, 1980. Payments will be made on and after July 31, 1980 against presentation and surrender of Coupon Deheotures with Coupons due September 30, 1980 and subsequent coupons attached, subject to applicable laws and regulations either (a) at the office of the Trustee in New York City, or (b) at the London, England offices of The Mitsuli-lii Bank, Limited at 7 Btrchin Lane, London, EC3, The Fuji Bank, Limited at 25:31 Moorgate, L sudon, EC2R 6HQ, and The Tokan Bank, Limited at P & O Building Leadenhall Street, London, EC3V 4RD. Payment at the offices referred to in th) above shall be made by check drawn on, or transfer to a United States dollar account maintained by the payee with, a bank in New York City, Registered Debentures should be presented and surren-dered for payment by forwarding them to the Truste et at 30 West Broadway, 13th Floor, New York, New York 10015, Attention: Componete Trust Department. The method of delivery of the Deben-tures is at the option and risk of the holder, but if mail is used. Registered Mail is suggested. Holders have the right to convert their Debentures into shares of Common Stock of the Com-pany, or at the option of the holders into American Depositary shares at the conversion price (with the Debentures taken at their principal amount translated ind Japanese Yen at the rate of Yen 277.25 equalling \$1.00 to 50...1 Yen per share. Each holder who wishes to convert his Debentures

pans, or at the option of the holders into American Depositary shares at the conversion price (with the Debentures taken at their principal amount translated into Japanese Yen at the rate of Yen 227, 25 equaling \$1.0010f507.1 Yen per share. Each holder who wishes to convert his Debentures must deposit his Debentures (in the case of Coupon Debentures with all unmatured Coupons attached) accompanied by a written notice to the effect that the holder elects to convert such Debenture with the Depositary and Conversion Agent, Chemical Bank, Corporate Trust Office, 55 Water Street, New York, New York 10041 or at any of the offices of the Depositary's Agents in London, The Mitsubishi Bank, Limited, The Fuji Bank, Limited and The Tokai Bank, Limited. The Indeoture provides that the right to convert the Debentures will terminate at the close of business t 5:00 P.M. Local Time (on July 29, 1986. RICOH COMPANY, LTD.

RICOH COMPANY, LTD. bushiki Kaisha Ricoh

The Interest and Dividend Tax Compliance Act of 1983 requires the withholding of 20% of any gross payments made to holders who fail to provide, and certify unler penaltics of perjury, a correct taxpayer identification number temployer identification oumler or social security number, as appropriate j on or before the date the Debentures are presented for redemption. Holders may also be subject to a penalty of S50 for failure to provide such number. If you have not previously submitted your correct taxpayer identification number, a properly completed Internal Revenue Service Form W-9 should accompany your Debentures when presented for redemption.

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tive caus Over the weekend the argument between the two sides centred on the degree of institutional support for the Dixons bid, which closes at

lpm on Wednesday after a hardfought 12-week campaign. S. G. Warburg, which is advising Dixons, said the bid had broad sup-per cent. port from other institutions and not just from Mercury Warburg Invest-ment Management, which has said

group, and Woolworth Holdings, the

arget of its £1.8bn takeover bid, to-

day begin the final three days of in-tense lobbying of Woolworth share-

holders to win them to their respec-

day's stock market close. it will vote its 13.5 per cent holding

THIS NOTICE DOES NOT CONSTITUTE AN OFFER FOR SALE AND THE STOCKS LISTED BELOW ARE NOT AVAILABLE FOR PURCHASE DRECT FROM THE BANK OF ENGLAND. OFFICIAL DEALINGS IN THE STOCKS ON THE STOCK EXCHANGE ARE EXPECTED TO COMMENCE ON MONDAY, 30TH JUNE 1986

ISSUES OF GOVERNMENT STOCK

The Bank of England announces that Her Majesty's Treasury has created on , and has issued to the Bank, add 27th June 1986, and has issued to t of each of the Stocks listed below:

transaction, or for commodify bro- computerised account systems. Today's Pan Am More widespread business appea

sai of all its draft rules. Comments on the proposals, which have to be submitted by today, indicate hostili-ty from a wide range of industries. branches. SIB is resisting this request However, the stock exchange believes that in most cases where an The proposals would require all investor finds his money improperauthorised investment firms to keep their clients' money in trust accounts separated from their own ly removed from a trust account the law will grant him no redress against anyone except the investment firm.

their money.

It argues that the best form of otection for clients, when a stockbroker becomes insolvent, is through its compensation fund. change investor has ever lost mon-ey through the insolvency of a

investment firm. The stock exchange has argued, however, that the SIB proposals

will do nothing to protect clients against fraudsters. They will still have access to their clients segregated accounts and be able to use their money for illegitimate pur-

Dixons' Woolworth bid reaches lobbying climax BY CHARLES BATCHELOR IN LONDON DIXONS, the electrical retailing in Dixons' favour,

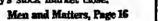
Woolworth countered that Dixons was attempting to confuse the issue and said it believed that Dixons' backing came largely, if not exclu-sively, from Mercury Warburg.

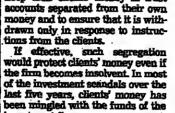
Although it is unusual for institu tions to declare their hand before the closing minutes of a takeover bid, Woolworth has already had

promises of support from Robert Fleming Investment Management,

per cent.

Dixons shares were 336p at Fri-





clients by ensuring it is segregated

0 per cent TREASURY STOCK, 1992 83 per cent TREASURY LOAN, 1997 94 per cent CONVERSION STOCK, 2004

ne price paid by the Bank on issue was in each case the middle marker osing price of the relevant Stock on 27th June 1986 as certified by the overnment Broker.

In each case, the amount issued on 27th June 1986 represents a further tranche of the relevant Stock, ranking in all respects pair passi with that Stock and subject to the terms and conditions applicable to that Stock, and subject 26 to the provision contained in the final paragraph of this notice; the current provisions for Capital Gains Tax are described below.

Copies of the prospectuses for 10 per cent Treesury Stock, 1992 dated 1 th November 1977, 82 per cent Treasury Loan, 1997 dated 7th July 1971 and 10 per cent Treasury Convertible Stock, 1990 dated 13th January 1984 (which contained the terms of issue of 92 per cent Conversion Stock, 2004) may be obtained at the Bank of England, New Issues, Watting Street, London, EC4M SAA.

Application has been made to the Council of The Stock Exchar-further tranche of stock to be admitted to the Official List.

The Stocks are repayable at par, and interest is payable half-yearly, on dates shown below:

Performant data	interest payment dates
21st February 1992	21st February
	21st August
1st September 1997	1st March 1st September
25th October 2004	25th April 25th October
	1st September 1997

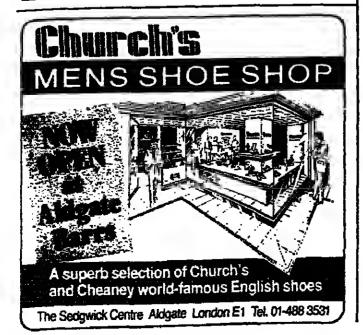
Each further tranche of stock will rank for a full six months next interest payment date applicable to the relevant Stock

Each of the Stocks referred to in this notice is specified under paragr of Schedule 2 to the Capital Gains Tax Act 1979 as a gat-edged se slation exempt from tax on capital gains on de on or after 2nd July 1986, prespective of the penod for which the

Government statement Attention is drawn to the statement issued by Her Majesty's Treasury on 29th May 1985 which axplained that, in the interest of the orderly conduct of fiscal policy, neither Her Majesty's Government nor the Bank of England or their respective servants or agenta undartake to disclose tax changes decided on but not yet announced, even where they may specifically affect the terms on which, or the condinions under which, these further tranches of stock are assued or sold by or on behalf of the Government or the Bank; that no responsibility can therefore be accepted for any ornission to make such disclosure, and that such omission shall neither render any transaction lable to be set aside nor give fise to any claim for compensation.

BANK OF ENGLAND





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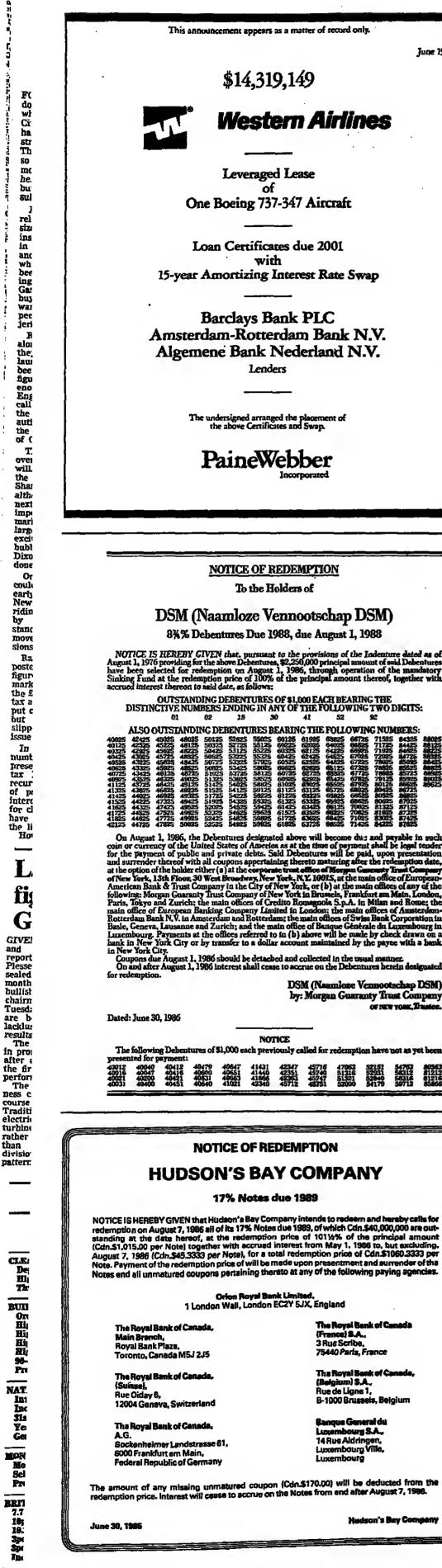
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Agent or call Pan Am on 01-409 0688.

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REPARTS OF A SAUTTON ALLOS AN LONG



UK NEWS June 1986 Vocational New forum urged for education issues training for BY PETER RIDDELL, POLITICAL EDITOR Its remit would include giving ad-AN EDUCATION council should be tives of parents' organisations, which it regarded as a necessary established to provide a forum for teachers, local authorities, trade minimum for ensuring each pupil national discussion of educational union and employer organisations has access to a good education. vice on the curriculum and examibusiness Mr Radice urged a crash pro es and for creating a partnerand act gramme of increasing resources for ship in education policy-making, Mr Giles Radice, Labour's spokesman supported The council's guidelines, would oks, materials and equipment as He told the annual meeting of the he said, provide a invaluable yardwell as expanded inv on education, said yesterday. Socialist Education Association that stick in judging the performance of buildings, together with "a new and By Hazel Duffy In the latest of a series of one of the first jobs of the new local education authorities and lasting pay deal[®] for teachers linked to a new appraisal and training es on education Mr Radice council would be to draw up guide-"provide an incentive for the lag-STRONG SUPPORT for the idea said the council's membership lines on the levels of provi on of gards to improve their that the professions should be in-cluded in a national scheme of vocawould be drawn from representabooks. ent and teachers system tional qualifications has come from seven professional bodies associat-ed with the business sector. The heads of the organisations have written to Lord Young, Employment Secretary, who is expect-ed this week to publish e White Pa-per (policy document) on education and training, expressing their de-sire to be involved. They are: the Institute of Ad istrative Management; the Institu-tion of Industrial Managers; the British Institute of Managem delivers the Institute of Personnel Manag ment the Institute of Marketing the Institute of Purchasing & Sur the goods... ply, and the Ins and the Institute of Char etaries & Administrators Their support contrasts with the Engineering Council which has told Lord Young that it does not want to before be involve Other profe ing those for doctors, dentists, soli-citors, barristers and accountants. have not yet formally agreed their 9.00 am sition although some have already expressed wards the idea. The Review group of Vocational Qualifications recommended to Lord Young earlier this year that there should be five levels of qualiog qualins, the first comptis fications awarded to those on schemes run by the Manpower Services Commission, which ters the Government's training and jobs policy, up to the fifth level which would encompass professional qualifications. The seven supporting professions wrote: "We believe that the inture of our professions is inentricably linked with the success of com-merce and industry in the UK and that we have a major interest in the ment of vocational training and education in this country at all evels. We want to be at the centre of that development and not outside They acknowledged that, left to es, even the most progres sive among them would not act stary reforms quickly. the De 11255 84325 711255 84325 711275 84425 71325 84425 71825 84425 71825 84725 71825 8525 71825 8525 71825 8525 71825 8525 80126 86525 80425 86525 80425 86525 80425 86525 80425 86525 80425 87025 We appreciate that there is : 71725 71725 72025 78025 78025 78025 78025 78025 78025 80125 80125 80125 80125 80125 very real need for a central focus for this activity, a reference point for standards and, above all, for strong leadership.

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42

in New York City. Coupons due August 1, 1986 should be detached and collected in the usual manner. On and after August 1, 1986 interest shall cease to accrue on the Debentures herein designated

DSM (Naamloze Vennootschap DSM) by: Morgan Guaranty Trust Company OF NEW YORK, Trustee.

NOTICE

The following Debentures of \$1,000 each previously called for redemption have not as yet been 40647 41431 42347 45716 47063 52151 40651 41440 42351 45746 51316 52331 40663 41666 42363 45747 51321 52849 41021 42340 45712 45751 5200 54179

NOTICE OF REDEMPTION

HUDSON'S BAY COMPANY

17% Notes due 1989

NOTICE IS HEREBY GIVEN that Hudson's Bay Company intends to redeem and hereby calls for redemption on August 7, 1986 all of its 17% Notes due 1989, of which Cdn.\$40,000,000 are outstanding at the date hereof, at the redemption price of 101½% of the principal amount (Cdn.\$1,015,00 per Note) together with accrued interest from May 1, 1986 to, but excluding. August 7, 1986 (Cdn.\$45,3333 per Note), for a total redemption price of Cdn.\$1060,3333 per Note, Payment of the redemption price of will be made upon presentment and surrender of the Note. Notes end all unmatured coupons pertaining therato at any of the following paying sgencies.

Orion Royal Bank Limited, 1 London Wall, London EC2Y 5JX, England

oyal Bank Branch,	of Car	nada,	
Bank Plaz to, Canad		2,15	

* Llo

The Royal Bank of Canada (France) S.A., 3 Rus Scribe 75440 Paris, France

The Royal Bank of Canada (Belgium) S.A., Rue de Ligne 1, B-1000 Brussels, Belgium

Banque General du Lunembourg S.A., 14 Rue Aldringen,

uxembourg Ville, Luxembourd

The amount of any missing unmatured coupon (Cdn.\$170.00) will be deducted from the redemption price. Interest will cesse to accrue on the Notes from and after August 7, 1986.

Hedson's Bay Company

AITUNE OTIERS gifts and

lower fares

By Mark Meredith

By Mark Meredith LOWER FARES and offers of cut-glass crystal for frequent travellers go into effect today on British Mid-land Airways domestic routes to London's Heathrow Airport. Mr Colin Roberts, sales and mar-keting director, British Midland, said that chesper fuel prices were partly behind a revision of the rules covering the airline's fares. A day return licket is to be ex-

A day return ticket is to be ex-tended to three days with a fare of £119 on Anglo-Scottish routes to and from Glasgow or Edinburgh. This is £13 lower than British Midland's own fare, and £19 cheap-er than British Airways, its main commettion on the routes Mr Ro competitor on the routes, Mr Ro-berts said. There are also to be sav-

berts said. There are also to be sav-ings on flights from Teesside, Bel-fast and Leeds airports. Restrictions on changing reserva-tions on off-peak flights have been lifted and reservations may now be changed on tickets booked in ad-

The off-peak fare of £43 on Brit-ish Midland is now the cheapest flight between Glasgow and Edinburgh and Heathrow. The airline has also introduced offers of lead crystal glassware to frequent travellers, who may re-ceive a glass for every eight flights.

Steel unions to fight suspension

By Helen Hague

STEEL UNION leaders have launched a campaign of protest over the suspension of a union offi-cial from his post as a British Steel Corporation (BSC) worker-director strike earlier this year. Mr John Alien, an Iron and Steel Trades Confederation (ISTC) branch secretary at Clydesdale plant in Scotland, part of BSC's inbes division, played an active part in the two-month-long dispute, which ended in April, and was later stripped of his worker directorship. The ISTC claims this was be-cause of his activities during the strike.

The Trades Union Congress's steels committee has written to Mr Bob Scholey, the corporation's chairman, demanding Mr Allen's reinstatement to the post he had held since 1976. The ISTCs annual conference, held in Jersey last week, backed a call for a full review of the workerdirector scheme, set up when the in-dustry was pationalised in 1967. BSC refused to comment on the

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£15* for the larger SWIFTY, and £19* for up to 5 kilograms for more bulky items that do not fit easily into either SWIFTY pack. Above 5 kgs; there's a small charge of 50p for each additional kg: upper limit is 25 kgs.

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1985 balance sheet	
Assets (billion Lire) Liabilities (billion Lire
 Cash and funds with Central Bank Securities and Investments Portfolio, current accounts contango loans Other items Contra accounts Contra accounts Contra accounts 	756. 18,126. 0ns 270. 1,009. 34. 21,539. 41,736.

and the return from this sector of activity, which increased by 55.6%, has notably contributed to the return ine of transactions has grown : on banking services.

During 1985 a branch was opened at Molfetta. Managing Director is Mr. Giosuè Ciapparelli.

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UK NEWS

Labour pledge on health services

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By Peter Riddell, Political Editor

A LABOUR GOVERNMENT would increase spending on health services by up to £500m a year, Mr Mi-chael Meacher, the Labour's spokesman on social services, said yes terday.

On TV-AM's "Jonathan Dimbleby on Sunday programme", Mr Meacher said Labour would increase health spending in real terms by 3 per cent a year. "What the Tories have down for defence we will do

for the health services," he said. There would be "a positive in-crease in spending on health ser-vices of up to half a billion pounds a vear

Mr Meacher went on to argue that, even taking account of both the faster increase in medical costs than retail prices generally and the rising number of elderly people, there would still be "a considerable amount left over for extra expenditure on services."

Later in the same programme Mr Norman Fowler, the Social Services Norman Fower, the Social Services Secretary, said Mr Meacher's pledge was very similar to what the Tories had been doing since 1979 in terms of overall spending. Mr Fowler said he hoped that over the next few months the Gov-

erament would be doing a number of things aimed at reducing not just waiting lists but waiting time as well

Chemical output rises 4.4%

By Tony Jackson

OUTPUT by the UK chemical industry rose 4.4 per cent last year, outstripping the 3.1 per cent rise in manufacturing industry as a whole. The increase also outpaced the rise in worldwide output of chemicals of 3.5 per cent.

However, the rise was concen-trated in the first half of the year, with output falling in the second half, according to Government figures. The downward trend has continued this year, with first quarter output 4.1 per cent lower than in the corresponding period last year.

cent rate of income, corporation and value added tax. Big reductions in taxation are tax reform proposals put forward both possible and desirable, says by other groups. For example, it re-the institute, because "most of the gards the "expenditure tax" advo-Forecaster expected to

decade, says the Institute of Direc- performed more efficiently and tic' economically in the private sector." ors in a report out today. It says the objective of expenditure cuts to-tailing nearly £50bn in today's, its programme for tax reduction is One of the principles underlying prices would be to turn Britain into called the "unimportance of equali-

Institute of Directors urges 30%

reduction in public spending

The cuts in public spending, which would invoive a progressive run-down of state health and educa-The institute says the state should protect people from absolute poverty but should not use the tax system as a tool to reduce income and wealth inequalities. It thus fa-vours the abolition of higher rates tion services, would finance the ab-olition of all taxes on capital and the introduction of a uniform 10 per of income tax. The institute opposes most of the

PUBLIC SPENDING should be cut functions of government are ulti-by nearly 30 per cent over the next mately dispensable and would be 1978 as "impractical and unrealis-It also argues that indexation of

the tax base against inflation is un-necessary and undesirable and that mortgage interest relief is a sensible tax concession - interest pay-ments, it says, should be more gen-erally tax-deductible. erally tax-de

Tax havens provide the ideal model for a tax system, according to the institute. Britain, instead of regarding them as a threat, should seek to emulate them.

The Direction of Tax Reform. In-stitute of Directors, 116 Pall Mall. London SWIY 52D. £2.95

Union attacks BR warning on dismissals

By Philip Bassett, Labour Editor

LEADERS OF the National Union of Rathwaymen (NUR) last night dismissed as "impracticable and un-necessary" British Rail's waraing that workshop staff who go on strike if a ballot opening today votes for action might be dismissed. Mr Jimmy Knapp, NUR general secretary, said the position was dif-ferent to that at Mr Rupert Murdoch's News International Wapping, east London plant. There is no way you can sack 40,000 work ers. There is no work force recruit ed in secret to replace them."

He forecast that if any workshop employees were dismissed on the scale which the BR board seemed to be indicating, the railways would "grind to a halt" within 48 hours.

Speaking on the eve both of the ballot and of the opening of the NUR's annual conference in Weston-Super-Mare, Mr Knapp urged his members to call BR's "bluff".

Privately, though, many NUR aders accept that the likelihood of obtaining a clear mandate for action from the ballot will be finely balanced, although they are pre-pared to continue with a lower key campaign if the ballot result, deemed sometime next week, goes against taking any action.

REPORT 1985 SOLID STRUCTURE

Balance Sheet

(in million DM)

Our Balance Sheet Total rose in 1985 by 4.6% to over DM 13.5 billion. This expansion was based both on deposit and loan activities with our customers. In the previous year we had room for growth due to a substantial increase in capital from our partial transfer to private owner ship which we had initially used to increase our interbank position. In this sense our balance sheet structure has therefore shown an improvement in the year 1985.

Our interest and commission surplus (gross revenue) markedly increased by DM25.4 million or 6.2%. In spite of administrative costs, which are also related to our investments in electronic banking systems, we were able to increase the operating profit by 7.5% over that of last year. With a result in extraordinary business of approximately the same size as in the previous year, we achieved a balance sheet profit of DM 30 million. We suggest to the General Assembly of Stockholders that it be utilized for a dividend of 12% or DM6 per share.

We are represented by 83 branches in Berlin, six full branches in the Federal Republic of Germany and a branch in London.

_			_
	Loans to Customers	6.090	
	Deposits	7.615	
n r-	Loans to Financial Institutions	4.418	
	Liabilities to Financial Institutions	3.861	
	Business Volume (Balance Sheet Total plus Endorsement		
1	Liabilities)	13.546	

Our group report includes, among others, Berliner Bank International S. A. in Luxembourg, Allgemeine Privatkundenbank AG in Hanover, and Braunschweig-Hannoversche Hypothekenbank AG, Hanover

1985

1984

5,588

7.028

4.103

3.843

12.953

Profit and Loss		
Statement (in million DM)	1985	1984
Net Interest	342,3	328,5
Net Commissions	95,3	83,7
Operating Expenses (excluding Depreciation on		
Fixed Assets)	310,0	293,5
Operating Profit	127,6	118,7
Net Profit	30,0	26,1

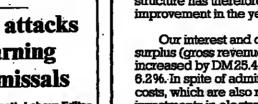
At the end of 1985 the total group assets amounted to DM 22.0 billion.

Our 1985 Annual Report will be provided upon request.

Head Office: Hardenbergstraße 32, D-1000 Berlin 12, Tel.: (030) 31 09-0 Branches: Berlin, Dusseldorf, Frankfurt, Hamburg, Hanover, Munich, Sattigart and London. In Luxembourg: Bediner Bank International S.A.

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suffer funds cut

BY GEORGE GRAHAM

cmt.

BY MICHAEL PROWSE

a tax haven.

THE Government-funded Economic when the neo-Keynesian Cam-and Social Research Council bridge team's grant was cut in fa-(ESRC) is on the point of cutting its your of the two more monetarist grant to one of the leading monetar-ist economic forecasters. teams at Liverpool and Cubs. The National Institute's is the ol-

dest established models, with a City University Business School (Cubs) is expected to suffer a cut in broadly Keynesian stance, although it now incorporates some of the "ra-tional expectations" theory pio-neered by Prof Patrick Minford at funding for its supply side model of the UK economy, although Prof Mi-chael Beenstock, who heads the Liverpool Cubs team, will continue to receive finance for his research activities.

London Business School, whose team is headed by Professor Alan The Cambridge Growth Project is also expected to have its funding Budd, also now incorporates rational expectations, and is particularly detailed in its modelling of the fi-

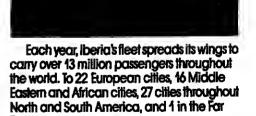
While London Business School

Provisional allocations for the next four years of grants have alnancial side of the economy. The differences in the models can ready been made, and the decisions will be finalised at a meeting in two weeks time before going to the full produce widely varied economic forecasts. The National Institute, for example, is the most pessimistic on the prospects for the UK econo-my, forecasting growth of 1.9 per cent this year and 1.7 per cent in 1997 ESRC on July 18.

The other major marcro-economic models - the two large models run by the London Business School 1987 and the National Institute of Economic and Social Research and the smaller Liverpool University model has revised its forecast for 1986 - are all expected to continue to re-ceive ESRC funding at close to their carrent levels.

has revised its increast for 1960 growth down to 2 per cent, its pro-jection for 1987 is a more optimistic 3.2 per cent. Liverpool, meanwhile, forecasts 3.5 per cent growth this year falling to 3.1 per cent in 1987. The ESBC also makes a range of other grants for research, besides The different models adopt divergent policy stances, and the alloca-tion of ESRC funding can raise political hackles. The last grants those for full scale macro-ee round in 1982 aroused controversy modelling





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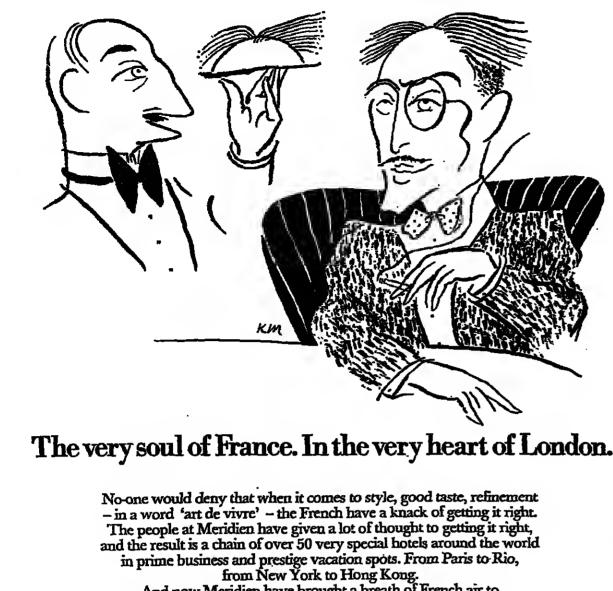
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UK NEWS

Rise in Woolworth Kinnock support for growth problems coal-based power of large 'unlikely to BY PETER RIDDELL, POLITICAL EDITOR stores be solved'

By David Churchill, Consumer

THE PROBLEMS faced by the Woolworth stores chain are unlike-ly to be solved by either Dizons which is bidding £1.8bn for the company - or the present Woolworth management, says a retail report published today. tricity supply."

The report, by the Verdict market research company, is based on de-tailed forecasts for various retail sectors up to the end of the decade. Verdict says it "remains uncon-vinced that Dixons could provide all the answers to Woolworth's prob-

lems nor, for that matter, that any company can." It suggests that both Woolworth and rival chain Littlewoods have "failed to find the right formula for success in the modern retail climate and unexciting growth is expected as a result."

The report believes that the outlook for retailing is bright up to the end of the decade. Verdict forecasts that between 1985 and 1990, retail sales volume will increase by 19 per cent. Sales value will increase from £87bn last year to £131bn in 1990. The report also suggests that redling is beginning to account for a larger share of consumer spending than in previous years. There has recently been a re-newed release of energy in retail-ing," the report comments. There are numerous examples of the resulting activity, many of which go to show that retailing businesses can be in charge of their own destiny and not simply at the mercy of outside economic forces." The report suggests that not ev-ery part of the retail trade will prosper from the forecast buoyancy in spending in the shops. The most successful sectors will

be, in Verdict's opinion, do-it-your-self retailers, electrical goods ont-lets, drugstores, garden centres and

Among the successful companies over the next five years, Vertict identifies Burton, Next, MFI, Wickes, Dixons (before taking Wochworth into account), Sainshu-ry, Tesco, Kwik Save, Saleway, Hardie Oncommer Toore and Harris Queensway, Texas and Marks and Spencer.

Verdict on retailing to 1990, pub-lished by Verdict research, 54, Brit-ton Street, London EC1, price £650.

ANY ADDITIONAL power stations ordered by a future Labour Govern-ment would be coal-fired, Mr Neil Kinnock, the Labour leader, argues this marning in a statement of the party's post-Chernobyl energy poli-Labour would not proceed with

either a fast-breeder reactor or the In an article in New Socialist magazine, Mr Kinnock pledges that Labour would "restore British coal Dounreay reprocessing plant and would also carry out a "rigorous economic appraisal" of the Thorp reprocessing plant now being built at Sellafield. es the prime source of British elec-

However, the Labour leader does not promise the early and of all civil However, Mr Kinnock argues that Sellafield would have to contin-ue in operation because it plays an essential role in handling, storing r power generation in Britand disposing of large volumes of nuclear waste. And such waste would be increased by Labour's pol-This has been proposed by promi-nent members of Labour's hard-left such as Mr Tony Benn and Mr Eric icies of scrapping nuclear warheads and closing nuclear facilities and power stations, he says. Heffer who intend to make the is-sue a major one at the party confer-ence in three months' time.

"With an election approaching

and unemployment clearly a major

election issue this trend seems in-

Sterling 'must fall' to maintain growth

evitable.

BY WALTER ELLIS

STERLING must fall in value over the next few years if the UK is to avoid a deficit on its current account and maintain economic rowth, according to the monthly anking review of the American Express Company.

Fiscal policy will be effectively re-iared by increasing asset sales and by actual spending reaching the top The alternative would be "con-timing high interest rates with a high exchange rate and low inflation, but slow growth and further yment." rises in unem

The US banking and credit card corporation asks whether the UK can now ride continuing economic expansion based on a steadily declining currency without inflation picking up excessively.

The answer, it believes, may lie in the extent to which structural hanges, especially in the labour narkets, have been achieved.

"If, despite high unemployment and these structural changes, real wages continue to grow strongly, then there is a risk that the fall in terling required will bring reewed inflation."

American Express sees indications that economic policy will con-time to be relaxed, albeit cautious-

end of targets." The Government would clearly like gradually to lower interest rates provided there is no risk of a collapse in sterling. The environ ment for achieving this will be fa-vourable if oil prices and world in-flation continue low."

"A further decline in the dollar against European currencies would also make this objective easier." American Express notes that if the Government has been success ful in its efforts to reform structur-

ally the UK economy, there should be no need to keep inflation as its central policy concern. Efforts could be made instead to bring down the level of unemploy-Conversely, if the reforms have not gone deep enough, then a switch to greater stimulus - which American Express considers in-

creasingly likely - would cause inly, over the next two years. flation to rebound

By Our Consumer Affaira Correspondent

THE GROWTH rate of oew superstores and hypermarkets increased sharply last year, according to figures from the Unit for Retail Planning, a private research company. Some 29 superstores - stores with at least 2,500 sq metres of trading space - were opened as well as one hypermarket (defined as having 5,000 sq metres or more of selling

space) This was the largest number of stores to open in any one year since

1981 and is only two fewer than the peak of store openings reached in 1978.

Asda, part of the Asda/MFI group, is the main large store op-erator according to the Unit, with 82 perstores and four hypermarkets. superstores and four hypermarkets. Tesco is in second place with 69 superstores and 11 hypermarkets, although with 16 stores with plan-ning permission it is likely to catch up with Asda over the next few years. Asda has 11 stores with plan-plan permission

ning permission. The unit points out that the J. Sainsbury chain has shown the most rapid superstore growth in re-cent years. From only nine superstores at the beginning of 1984, Sainsbury's had some 24 open at the beginning of this year with a further 17 in the pipeline.

The growth in the number of by permarkets is again showing an in-rease after a decline in the early 980s, the unit reports. At the beginning of this year there were six hy-permarkets with planning permission, compared with two at the same time a year previously.

UK hypermarkets and super-stores, published by the Unit for Re-tail Planning, 6-10, Bridge Street, Reading ROI 2LU, C33.



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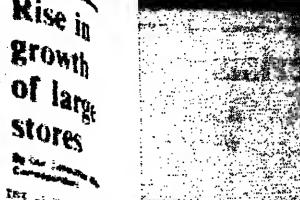
But our activities don't end there. We've become a leader in foreign exchange dealing and government securities trading.

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Rise in

growth

stores

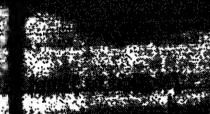




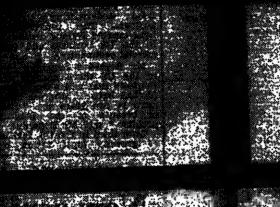


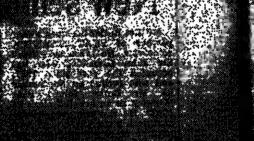


















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INSURANCE

Tackling the US liability crisis

BY JOHN MOORE

THE LLOYD'S insurance com-munity entertained its biggest ployees, the lack of insurance producers of business — the protection, and the high cost US insurance brokers — in its of court awards, have decided new building in Lime Street in some cases that it is best last week. For most of the chied to end their operations or executives of the big US brok-ing companies, it was the first tions. time they had seen the new The US insurance broking gurroundings of one of the community is trying to respond most important markets with to the crisis among elients by which they do business. If Bogardus's own concerns of the US broking funding arrangements for com-concerns of the US broking funding arrangements for com-tiones. Mr Jobh Bogardus, chair man of Alexander and Alexan-the Services of the US, one of the world's largest insurance in conven-tions funding arrangements. THE LLOYD'S insurance com-

week, Mr John Bogardus, chair-man of Alexander and Alexan-der Services of the US, one of the world's largest insurance brokers, felt that the inter-national insurance industry may blue the form of a risk-pooling arrangements between some Alexander & Alexander clients, Mr Bogardus feels that al insurance industry shooting itself in the

uability insurance market. Faced with large losses over several years, underwriters infinity, have raised insurance rates to prohibitive levels for the clients of insurance howers, and in from underwriting liability business. The consequences have created serious distuption in the US business and com-mercial community. Mr Bogardus instruction in the sevent of the s

Therefore, because the instr-ance industry has not responded and adopted a flexible approach in the underwriting arrange-ments of liability business, it had not served itself well, he Mr Bogardus instances that in the US there is only one company that will manufacture

APPOINTMENTS

Alexander, the attitude to the taken significant positions in Hability problem is robust. the syndicate. "It provides the brokers with The risks are dispersed across customers and former em-

the participants in the syndi-cate, which reduces their losses tremendous oportunities," said chairman Mr Frank Tasco last and contains legal costs. Not only were the brokers sining from an increase in in the insurance monstry there has been speculation that the crisis in the liability market could lead to a revival of the "captive" insurance market, in liability insurance premium rates - because their com-

age of premiums — but it which industrial companies alowed them considerable scope for product design. — insurance groups to provide for their own corporate Habilities. In two main ways. Most impor-tantly, it has created additional insurance groups following missions are paid as a percent-are of premiums - but it in two main ways. Most impor-tantly, it has created additional insurance groups following disastrous underwriting results from their participation in noncapacity for large corporations the form of a riskto seek protection.

parent Last year, Marsh & McLellan organised 34 large corporations, including IBM and Dow Chemixet the revival in the captive insurance movement could be some way off. "The larger companies are going into group schemes," says Mr Bogardus, "rather than insurance arrange-ments." cal, in setting up an insurance company offering each policy-holder \$100m (£65.4m) in cover against catastrophic of more than \$100m.

It is the lack of reinsurance protection in the liability market, which was an important The scheme is called the American Casualty Excess Insurance Company (ACE), and operates out of Bermuda and the Cayman Islands. The new concern has capital and pre-miums of \$400m. Marsh & McLellan has formed arother of \$400m. prop to the operation of the captive movement's activities, which could curb the captive's

revival. Mr Boganfus says: "Every-one is strugging to find an answer and find the best of what another offshore company, XL Insurance. This is effectively another large US broker, John done all they can with the son & Higgins, and Marsh of insurance companies. available, but cautions, under. "Now they are exploring the writing capacity. Groups such alternative funding possibili-as Astna Life & Casualty have ties." is available. . The brokers have

New senior partner at Peat Marwick been appointed divisional general

In the insurance industry

company

Yet the revival in the captive

conneting and finance. of the BANK OF SCOTLAND. He takes over from Mr Rebert Smith who has retired. Mr Scour was previously assistant general manager, carporate planning, for which he will continue to be in who has retired. Mr Scott

Britannia International Finance Limited (formerly called

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ship of the Serpell Committee, which was appointed by the Government to review the fin-ances of British Rall. I. J. DEWHIRST HOLDINGS will be in c activities.

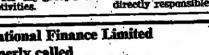
CONTINENTAL INSURANCE He was UK oper

1952. He was admitted to the partnership in 1967. He was partner in charge of the Lon-don region of Peat Marwick for five years before being appoin-ted deputy senior partner in October 1985. His professional activities have included a post as adviser to the Treasury and Civil Service Select Committee from 1980 to 1982, and member-ship of the Serpell Committee,

the syndicate desk, and will co-ordinate Lloyds Merchant nk's new avnd

Mr Jim Butler becomes senior partner of PEAT MARWICK tomorrow. He takes over from Sir John Grennide, who has occupied the post since 1977, and who retires on September 30. Mr Butler joined Peat Marwick as an articled clerk in 1952. He was admitted to the partnership in 1967. He was assistant director, assisting been appointed to the board of specifically on sterling issues. GREYCOAT GROUP. He is hir fine Lawrence, senior assis-near director, will continue on struction activities.

He Christopher Strickland has been appointed to the board of GREYCOAT GROUP. He is



Slater, Walker International Finance Limited)

Notice to Bond Holders

NOTICE IS HEREBY GIVEN to the holders of the Bonds that as a result of the offer made by Britannia Arrow Holdings PLC on 29th May, 1986 of ordinary shares by way of rights to ordinary shareholders, warrant holders and Convertible Stock Terms and holders the conversion price applicable to the Bon Conditions printed on the reverse thereof) does not, in accordance with the provisions of the said Terms and Conditions and of the Trust Deeds constituting the Bonds, require adjustment at the present time. Consequently the conversion price remains at 115p per ordinary share of Britannia Arrow Holdings PLC.



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E. J. (Ted) Walters has Dr E. J. (1941) wanted by been appointed president of BP VENEZUELA from August 1. He is also appointed BP group representative in Venezueta, Colombia, Ecuador, Peru and the Cardabean. Dr Walters succeeds Mr J. P. (Tim) Odone, who will join the board of BP Venezueta D. BOR-enecutive . Capa following his retirement at the end of 1966. Dr Walters is manager, projects, et BP Coal,

> STC DEFENCE SYSTEMS ha made three senter appointments. Mr Beamis Head, formerly direct tor of operations of Short Brothers in Belfast, and Mr Alan gs, formerly sales dire er Engineering (D at) have both joine (Dere have have the Head as the He

NEWALL ha TURNER of its subsidie ta drom July 1

HARVEYS OF BRISTOL UK wes. *

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Dated 30th June, 1986

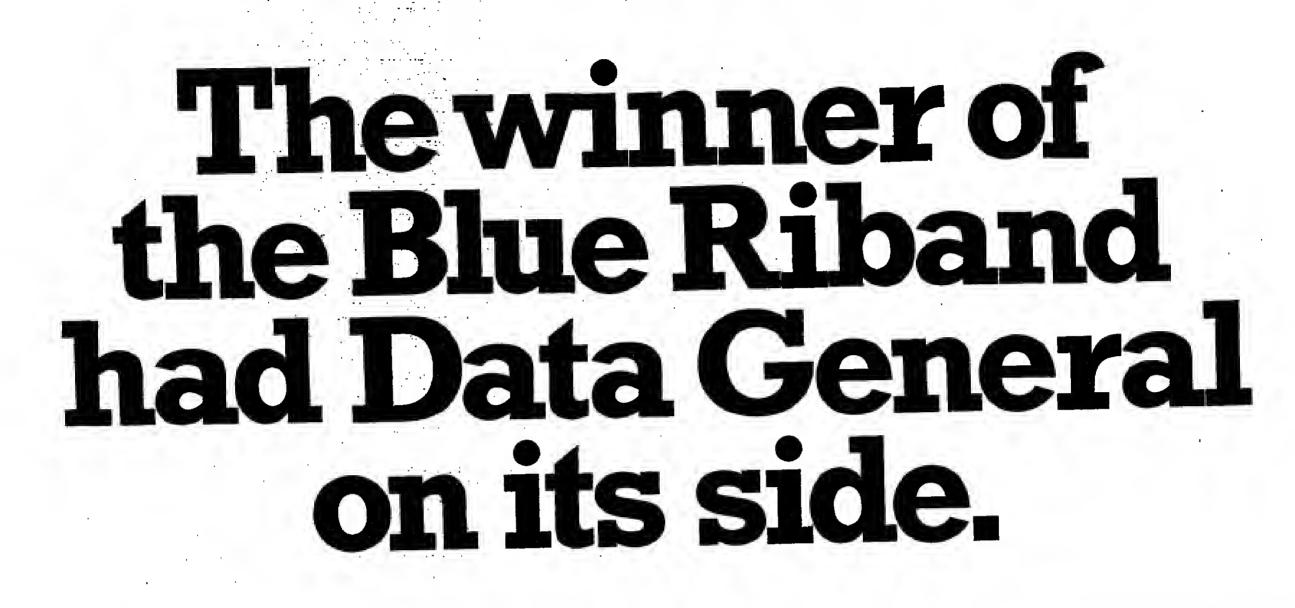
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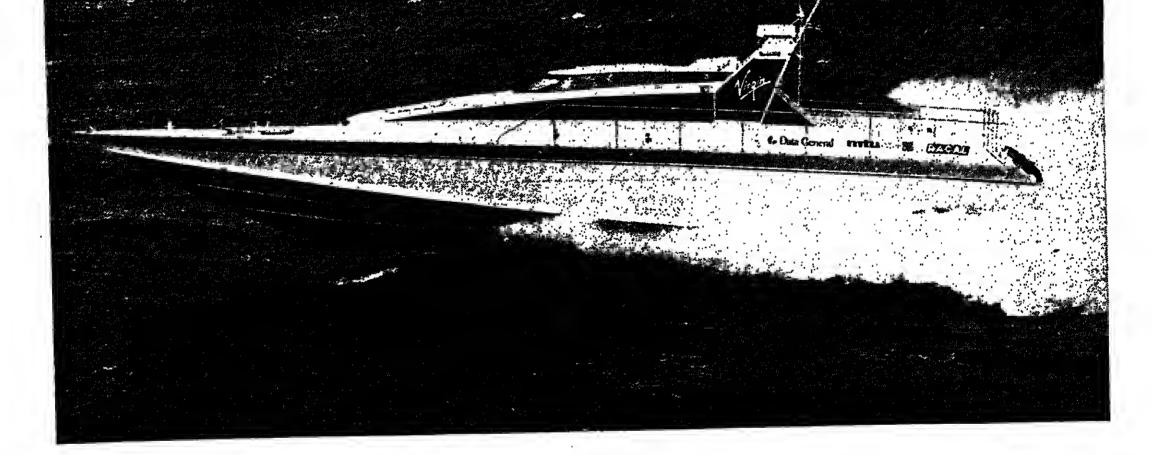
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Data General a Generation ahead.

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MURRAY FUND S.A. THE PACIFIC FUND S.A. **Company Notices** ared Office: 14, rge Aldringen ndal Register: Section 6 8338 ELECTRICITE DE FRANCE HOPE STREET FUND S.A. ÉD.F. NOTICE OF EXTRAOROINARY GENERAL MEETING OF SHAREHOLDERS NOTICE OF EXTRAOROINARY GENERAL MEITING OF SHAREHOLDERS An Extraordinary General Mosting of Saunholders of The PACIFIC FUND S.A. will be held at its realistared office at Lumembourn, 14, ree Aldrin-pen, on July 8th, 1985 at 15 00 hoors for the surgous of considering and woting upon the following matters: Societe anonyme d'investissem Registered Office: 14, rue Aldri compercial Register: Section 8 US\$125,000,000 10% 1980/1988 An Extraordinary General Meeting al SMARE/DOLDERS An Extraordinary General Meeting al Superbidders of MURRAY FUNO S.A. Will be held at its resistured office at Lumenbourg. 14, 'the Aleftagen, on July 5th, 1936 at 15,00 hours for De surnote of considering and voting upon the following matters: 1) codversion of the consumy into a "sociate punder the law of August variable, budger the law of August variable, budger the law of August variable, budger the law of August memotiment of the articles of hucor-poration as a result of action to be thiken on the avecding item of this assense. Substantially in the term of the Congany, where ther arc available for Impedia by the shage-hubders. Bondholders are horeby in-formed that ELECTRICITE DE GTICE OF EXTRAORDINARY GENERAL MEETING OF SHAREHOLDERS FRANCE — EDF will proceed as anticipated with the full redemption of the loan at a Schenkholden An Extraordinary General Meeting of Sharksolders of HOPE STREET FoldO S.A. will be held at its registered office at Luxembours, 14, ree Alchin gen, on July Sth. 1948 nt 15.34 Ind aving that the bilgening matters: 1) conversion of the company into a "socikte diversissment A caoital variable" under the law of August 25th. 1983 concerning collective investment of the articles of incor-poration as a retail of Action to be taken on the preceding them of Ulis menda, substantially is the form of the draft articles of incor-bon as deposited at the registration of the draft articles of Incorration don as deposited at the registration are molitable for insuection by the advoting upon the following matters; > chaversion of the company into a "socket of investigatement a capital variable" ander the law of August Sith. 1983; concerning collective investment andertakings, adjustment of the articles of incor-peration as a result of action to be appende, and articles of .-coraoea-tion as desposited at the readvard conce of the Company where the set and the percent. price of 100.25% with accruad interest, in accordance with that conditions of the loan. Consequently, the 25,000 bonds of US\$5,000 will be redeemable or USSS,ULU will be recasingly as from 31st July 1986 on which date they will cease to bear interest at a price of USS5,054.17. i.a. USS5,012.50 for the principal and USS41.67 representing 30 days of accrued interest since be July 1986. ders. Inge of the nume of the company. master of the duration of the nge of the nume of the company. non-shores, and the apends of the shore on the apends of the inary General Meeting will that at least 50 percent of the Ared not outstanding capital ared at the meeting. Should be nge of the name of the company. 1st July 1986. Inscrumentous. Resolutions on the agenda of the ctraordinary General Miceting will invine that at least 50 beccent of the day issued and curstanding capital the sound method with meeting. Should ich a quorum not be reached, Should ich a quorum not be reached, a cond meeting would then be con-med nos surflar than a month later. t such possible of two-taileds will be required. In the Extraordinary it cor required. In the Extraordinary it cor resource for resolutions on the smg of the ngenda. IIIa ponds will have to be pre-sented for redamption on 31st July 1986 (coupons paysbla 1st July 1987 and 1988 artached). Redamption of bonds will ny. 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In order to take part at the artica-ordinary General Meeting of July Bth, 1996 the owners of barres shares will have to deposit their shares ave clear days before the meeting at the registered office of the Fund, 14, rue Astringer, Lynambours, or with the nal We **Bank Limite** Societa Generale Paris Societa Generale de Banque Bruxellos Credit Lyonnais Luxemboutg BANQUE GENERALE DU LUXEM-BOURG S.A. 14. rue Aldringen, Linemberry BOURG S.A., 14, re Aldringen, Luxembourg. BANQUE GENERALE DU LUXEM-BOURG S.A., 14. Yue Aldringen, Luxembourg, CLYDESDALE BANK LIMITED, 3R. Lombard Street, London, EC2. The Board of Offectors. ingen, Luxembourg, The Soard of Direct Tha Fiscal Ag CREDIT LYONNAIS LUXEMBOURG FINANCIAL TIMES PUBLISHED IN LONDON . FRANKFURT . NEW YORK fession. INTERNATIONAL & BRITISH EDITORIAL, ADVERTISEMENT & CIRCULATION OFFICES . Babit Editorial Expression 32, Mastrid S. Teles: ele Randers (London 20145), Tel: 91-441 6772. 430. Consistent of Advertisity Corporation December 201403. 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Contracts and Tenders

Financial Times Monday June 30 1986

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THE WEEK IN THE COURTS

The rights of the accused versus the soaring cost of legal aid It has been the failure of the

'consumer voice' in

have had second best

overdue for a shake-up. The Government's Efficiency Unit has scrutinized the system Ont has scrutinged the system and proposed a radical revision of legal sid; and advice, at present under the control of a legal services board responsible to the Lord Chancellor. Its proposals are based ion the existing system, and reject the idea of e sabiried service that would provide all legal aid assistance and advice. From its incention in the

and the second secon

From its inception. in the Legal Aid and Advice Act 1949, some lawyers saw the Legal Aid Scheme as the first step down Scheme as the first step down the slippery slope to a national legal service. Others shared a view, often held among non-lewyers, that the whole scheme was a chining device, con-cocted by the legal profession with the aid of their allies at Westminster and Whitehall, to distract and stave off any Those who argued for a the administration of legal aid can feel they

distract and stave off any nationalisation of the pro-In fact, it has been neither immense impact on the develop-

of these. At birth it repre-sented a fresh and more realistic approach to an old problem—how to make legal aid and advice available to those who could not afford it. ment of legal aid. Those who argued for a "consumer voice" in the administration of legal aid could feel they had a very good second best. The professional bodies had een neither particularly The provision of legal advice has proved to be a much more difficult arei in which to satisfy the needs of the public. There guilible nor cunning in their attitude to the report of the

attitude to the report of the Rushcliff committee which pre-ceded the 1949 keyislation. They merely recognised the necessity of meeting a growing social demand and did their best to make a virtue of it. No one could fairly accuse the No one could fairly accuse the

make a virtue of it. No one could fairly accuse the profession of having subordi-nated public to sectional interests. And it has, in general, been so ever since. It is the complexity of the system, to-gether with the large bill to the public, that has led to dis-the public, that has led to dis-

STRONG SUPPORT for the idea that the professions should be included in a national scheme of vocational qualifica-

THE ADMINISTRATION of a quiet in official circles, and to a with their multi-disciplinary state-funded legal assistance call to bring the whole scheme approach to clients needs, scheme is, after nearly 40 years, under closer governmental. One office has been operating under closer governmental One office has been operating courts to curb the excess has control. From the outset the civil Courts in the Strand to help appreciably lengthened the legal aid scheme has been unrepresented litigants. The administered by the profession judges have made frequent use the Law Society in collabora- of this unique service. When the Roskill committee recently recommended re-One office has been operating

there was originally an is that, except in criminal cases, argument in favour of lay initial advice should be given representation on the various by an advice agency properly administrative committees. It funded by government, rather was rejected, except for a than by a private practitioner. powerful lay element in the Lord Chancellor's Advisory Committee: Over the wasy that back here a different hue. Although The Efficiency Unit's proposal Legal aid in criminal justice has been altogether a creature of a different hue. Although there has been some advocacy in Over the years that body, by its annual reports, has had an

recently recommended re-placing trial by jury by a specialist tribunal to save time and money, the Griminal Bar Association hotly opposed such a reform, although it expressed willingness to make procedural changes in order to cut costs. The Lord Chancellor's response to the Bar and to the Law Society over the claim to better pay for criminal legal

resisted. Broadly, the reason for rejecting assimilation was that it is for the parties to a civil case to decide whether they want legal aid, and for the state to intervene if it is considered that the parties require legal aid and the costs are beyond

their means, In criminal cases the public interest demands that the accused should be legally represented. The enormous incriminal courts has made the bill to the public unacceptably high, Crime is the largest sectices tor of costs to legal aid, although it is growing more slowly than civil cases. Much of this worrying cost

to the public stems from the practices and procedures of the courts. In an adversarial sys-tem, where the judges do not directly determine the breadth

Justinian

Qualifications plan for professions urged

BY HAZEL DUFFY

The organisations are: the Institute of Administrative Man-agement, the Institution of Industrial Managers, the British tions has come from seven pro-fessional bodies associated Institute of Management, the with the business sector.

the past for assimilating criminal legal aid in the civil scheme, it has always been

increase in the legal aid bill stems from practices and procedures in the criminal courts aid, recognises the need for

streamlining court proceedings. Part of the increase in pay is dependent npon the professions changing some of their prac-

Much of the worrying

practitioners in the criminal courts to curb the excess of

There can be little doubt that it is the reform of both civil and criminal law proce-dure that will keep down the cost of legal services to the public.

The change in the structure of the administration of legal aid and advice is prompted by the need to exercise restraint in the cost of the scheme.

But above all the new structure needs to encompass a radical rethink by the profes-sion of what kind of services it is providing.

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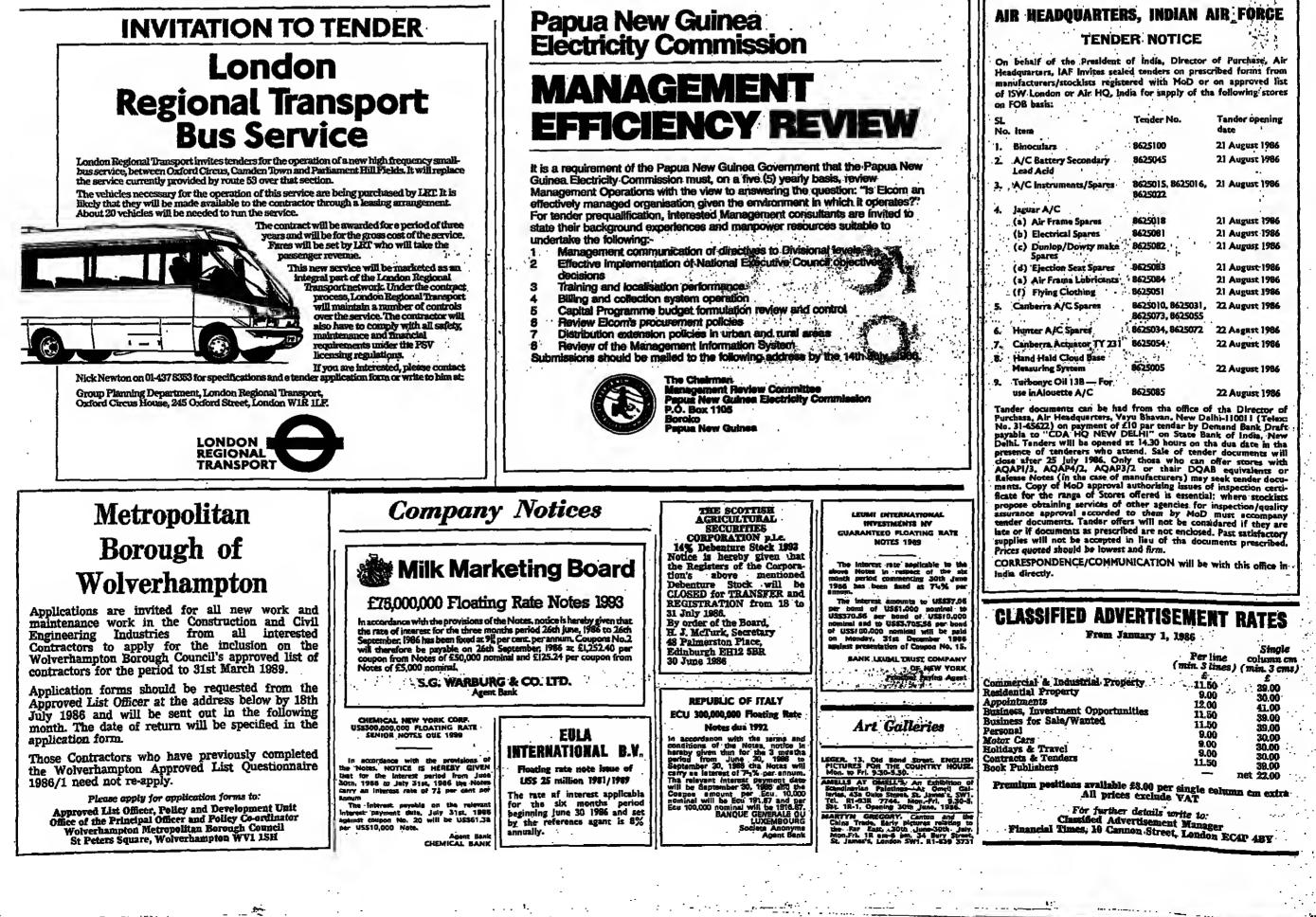
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fessional bodies including those fessional qualifications. The seven supporting profes-sions wrote: "We believe that for doctors, dentists, solicitors, barristers and eccountants have not yet formally agreed their the future of our professions is position, inextricably linked with the

tions has come from seven pro-fessional bodies associated ment, the Institute of Market-ing, the Institute of Purchasing and Supply, and the Institute in Success of the UK and that we desire to be involved in a letter of Chartered Secretaries and Stream Secretary, who is expected this . Secretary, who is expected this . The Engineering Council has Manpower Services Compassing up to describe a development of that seek to publish a white paper. Ind. Lord . Could Serve and the Institute of Inst

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In an open letter to Kenneth Baker, the Education Secretary, Patrick Coldstream argues for new links between businessmen and academics to avert a crisis in colleges and universities.

ON THE day yon got your new job I reported to the Coun-cil for Industry and Higher Education on three months of consultation with universities, polytechnics and industry. The council is a group of 20 chair-men of very large companies and ten vice-chancellors and and ten vice-chancellors and polytechnic directors promoting the relationship of business and bigher education. I had talked to well over a hundred important people (vice-chap-cellors, poly directors, chairfersors) and hope you will be interested to share my conclu-sions which are an amalgam of theirs.

The best academics and the best businessmen are fast learning to speak a common lan-guage and, indeed, are using it to say much the same thing. This is that higher education faces imminent crisis and that just when we see it as the critical economic asset for the future.

nts the

m together.

That is not to say that students are not being taught and research not being researched. What is more, the demand for "technology trans-fer" coupled with financial pressure has spawned a posi-tive boom in "links" between business and higher education. Joint professorships, joint degrees, joint research pro-ducts, joint consultancies, uni-versity holding companies, science parks, industrial awards in universities and government awards for academics in business, new consortia to pertablic industrias productions establish industries' needs for continuing education: all these bloom, some amateurishly, some full of professional promise,

like a thousand flowers. But these, imaginative and encouraging though they be, are only at the margin. At the centre of things sensible busi-nessmen and sensible academics feel an aching lack of policy. The evidence they point to is a list of contradictions.

Boards of directory have, schemes again, if not akilfully belatedly no doubt, at lest begun handled, have left many of the to hear the message (from "wrong" lectmers of the ministers, the National and "wrong" ages in the "wrong" Economic Development Office, places. Industry perceives, of the Manpower Services Commis-sion, consultants and pundits) actantists and technologists are Economic Development Office, the Manpower Services Commis-sion, consultants and pumliks into they need more educated people throughout their work-force. But at precisely this moment the Government is publicly planning for a reduced supply of gradmates on demo-graphic grounds. It must be about the future capacity of the higher education system.

Higher education in Britain

Time for a new

school of thought

If industry is to be tempted to contribute more to our higher education, there will have to be better ways of allocating ration-Moreover, the critical num-bers debate is conducted largely in old-fashioned terms of three-year conventional degree or part-time student. But at just this moment both companies and institutions are poised to embrace learning patterns with interestingly blurred outlines: degrees that has into working life, that are mixed up with work experience and even accredit some of it towards qualifications, or that include some portions of the companies' own in-house training as part of the syliabus. These need to advance very rapidly. The in-Moreover, the critical numally the resources available. There is still no forum for set-ting priorities or maximising national economic return from scientific research, as the cabinet's own advisory commit tee (ACARD) recently reported. Nor are there schemes for the Nor are there schemes for the strategic siting and co-operative use of the extremely expensive equipment on which much re-search in the international league increasingly depends.

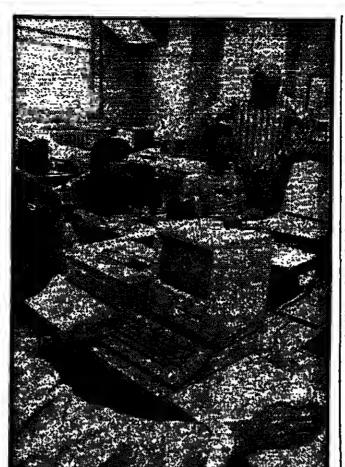
Companies even complain that they receive few joint proposals from institutions for help with equipment installation. Yet if the present machines have been of the synabus. These need to advance very rapidly. The in-gredients for a new policy, radical and essential, are feit to be lying around new but no one hard to afford, many professors will find the next generation entirely beyond their purse except as part of some co-operative effort.

There is a contradition of intention and result. With the And in the longer run acadaid of some £25m in cash and emia too must work within the kind from business, new student places were created for training constraints of international competition; brains will drain in information technology. But in practice potential poly students took up the extra places in universities and some to where research facilities are best.

And finally, ask industrialists, how can the chairman of the University Grants Committee (UGC) be threatening the closure, of universities when poly places were left unfilled. Everyone turned to the schools to look for a sound output of science-based candidates only to be faced with the appalling figures of shortage for mathe-matics and physics teachers. closure, of universities when the national discussion has hardly begun on the capacity needed for "continuing" edu-cation end for re-training and updating the armies of em-ployees that are going to need it. Is it not missing the point, moreover, for the UGC to rank academic demotratement for the Take again the reactions of

the institutions themselves to the reduction in their grants at the beginning of the 1980s, The sudden need to get more teachacademic departments for the receipt of grants without refer-ence to the industrial need for the particular research work ing for their money was barely compatible with a national need for more science engineering places since the scientists and undertaken. The contradiction is sommed

engineers cost so much more per head to educate than do the er head to educate than do the up like this. Eighteen months need to complain about the The author is Director of the age the much-quoted NEDO re-immediate emergency. The real Council for Industry and Voluntary staff reduction port, Competence and Competi- objection to the current squeeze, Higher Education.



TODAY'S STUDENTS: Are there enough to meet industry's

tion, showed the UK workforce though it has almost certainly too, showed the UK workforce though it has almost certainly to be badly under-educated by gone too far, is that it is international standards. This extremely inefficient and that it month the Institute of Man-power Studies after an enor-ment in radical and rapid mous survey, shows that man-agers need broader perspec-tives, while workers without education and skill are increas-even a prognosis. Here they must be an opporeven a prognosis. Here then must be an oppor ingly likely to get sacked and tunity for a new Secretary of State. After all there is not a lot of money and not much time

stay sacked. So higher education, its vital task reaffirmed, ought to be holding its head high and step-

before the election for you to ping confidently into the breach, which would of course be the right stance for winning the co-operation, not to mention the resources, from industry that everyone knows will be needed if we are to get the modern learning system we need. In-stead, however, higher education you would find an immediate feels drearily constrained from taking initiatives, hit over the bead, unrecognized and unable Certainly you should find it possible to talk about an equal to plan.

partnership of wealth creation between those responsible for creating skilled and educated Paradoxically the impending damage is concealed by the counter-irritant of the Governbrainpower (presumably the best, wealth of all) and those responsible for using it in the ment's financial cutbacks. It is too easy for real long-term concern to be submerged by the need to complain about the marketplace.

City gent By Barry Riley FORGET THE scrapping of com-mission scales, the introduction of dual capacity and the arrival don't run early enough. of the blg international banks and securities houses on the

London stock market scene. Such developments may consti-tute the generally accepted City revolution; but for many prac-titioners in the Square Mile the real revolution lies in the dras-tic changes in their style and conditions of working. tute the generally accepted City There is in fact a lot of debate revolution; but for many prac-about whether trading on the titionars in the Square Mile the real revolution lies in the dras-tic changes in their style and conditions of working. Should open at 9.00 rather than tic shanges in their style and sol, and the top men in the securities firms are rather keen it is not many years since gilt-ciged hrokers and jobbers, not surprisingly, is considerably for example, led a compara-tively relaxed existence in London. The market did not for extended hours comes from

tradition and competition was regulated out of existence. But Curiously, stock market trad-ing now begins earlier in London in terms of local time than in New York, despite the now the "open all hours" mar-kets in London are beginning to heve an impact on a number of reputation of still tougher concontinental bourses. ditions for Wall Street traders. There is in fact a lot of debate The Paris Bourse, for example, is moving away from its bistorical pattern of opening only for two hours from 12.30 to 2.30.

Demise of the

The trend seems inevitable, but it is worth asking whether the final investor is really going to benefit. The main bene-ficiaries of extended trading would appear to be the professionals - and not just the fund



open until 10 am, but there just might be a conference to attend the globalisation of the investment industry, making it pos-sible to transact business in other time zones. The worka-holics in the Chicago futures markets have even talked about at 9.30. The official close was S.30 (which it still is) and though there might be some after hours trading, it was un-likely to stretch beyond 5 pm.

kets, things are worse. Most of Europe is an hour ahead of London, so the market makers in European stocks at Savory Milla, for instance, are trading from 8.30. At the other end of the day, dealers work a duty rota to handle New York trades

outside the securities market. At Union Discount these days, the first deal is done around

The intensity demanded of key personnel in today's finan-cial markets scarcely goes with a rounded lifestyle and balanced family life. Money in plenty there may be-but there are also hard luck stories of stock market men being forced to

managers et investment institu tions but even more so the specialised traders within the security houses engaged in activities such as "programme trading." To the uninitiated, this is an increasingly popular New York activity which is based on a kind of arbitrage between the

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sessions in the wee small hours More fundamentally, however, the trend appears to be related to the growing amount of prolessional trading on the markets. Because the professionals are stock market and the futures market, whereby stocks or stock options can be bedged against stock futures contracts. The profit is generated from the at their desks all day watching screens, they are ready at any time to trade anything that moves.

In the US Treasury bond market the volume of trading between the professionals— admittedly on tiny margins—is reckoned to be four times as great as the amount of business actually done with genuine final

The limit of the process then becomes determined by the sheer stamina of the practi-tioners, up to the point at which they would need to double-shift, thus seriously undermining the economics of the operation.

This interoal, professional orientation of the securities markets is relatively new. The old approach is still evident in continental Europe, where hours of trading are much shorter and may amount to fittle more than a callover of listed stocks once

or twice a day. The attitude is that if investors want to trade they will best wealth of all) and those beat a path to the exchange.

anomalies and inconsistencies whicharise from time to time in the different markets. To the extent that trading on the stock market is at best a zero sum game, and is in practice a negative sum game allow-ing for the costs of the system, such profits made by securities market professionals must be at

the expense of genuine in-vestors. It is a most point whether factors such as in-creased liquidity or better hedging facilities can compensate them

Noncof which is an argument for adopting the approach of, say, the Trondheim stock exchange, where trading takes place at 1 pm on Wednesdays.

But the investor dreaming of the ability to pick np his tele-phone at any time of the day or night and plug into the global 24-hour market place will need to be eware that costs of such a technological extravaganza will be high, and in the

But in two stages the market's opening has now been brought forward to 9 am, and in an in-creasingly competitive environ-ment 8 am morning conferences are becoming the rule. It isn't a life for gentlemen any more.

In more international marup to Wall Street's close at 9 pm London time.

achieve a lot but if you were to offer a serious new forum and a new machinery thinking (with serions input, but without bossiness, from industry and commerce) about the desired The rot has similarly set in relationship of higher educa-tion to the economy, I believe

8 am and business continues mull 6 pm. It is a far cry from the good old days when discount market hours were roughly ten to four, including a long lunch.

move from their elegant stock-broker belt residences to Lon-don flats because the first trains markets were domineted by end he will pay.

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NATURE OF BUSINESS.

MANAGEMENT

The guru factor

Why America is just wild about wisdom

BACK IN the early 1960s, when an ebulliently materialistic America was starting to slide into bitter soul-searching about the Vietnam War and a host of the Vietnam War and a host of other social concerns, Tom Peters, Kenneth Blanchard and John Naisbitt were fellow students at New York's Cornell University. One of Peters' most virid memories is of Blanchard dressed up as a big red bear, the mascot of the Cornell football team. Twenty-five years on, America's mood is anything but bearish. Its entrepreneuridal

bearish. Its entrepreneurial drive is back with a vengeance, and leading the way is the Cornell trio—each of them as a millionaire preacher of the new gospel of corporate success,

The phenomenon of America's million-selling business gurus first hit the nation in 1983, when the US was just beginning to edge out of one of its to edge out of one of its severest post-war recessions. Three of the four top spots in that year's New York Times non-fiction best seller list were taken by business books—aH of them written by Peters, Blanchard and Naisbitt, Sinchard and Naisbitt,

Since then the floodgates have opened to a wave of business books whose sales rival those of the hottest-selling works of all

The publishers of Iacocca, the story of the irrespressible Chrysler chairman, claim that barely 20 months after the autobarely 20 months after the auto-biography hit the bookstalls it bas already outsold any hard-back in history, bar Gone With The Wind, Jonathan Living-stone Seagull, and a few chil-drens' books. The hardback print run in the US and Canada alone has reached 2.8m so far. The membrack edition superred The paperback edition appeared a fortnight ago, with an initial printing of almost 3m copies.

lacocca and the other three books each represent a markedly different genre of business writing. But they all echo a common theme-a com-pelling confidence in the American business system. They offer reassurance and optimism at a time when US companies have been going through an unprecedented period of self-analysis and painful reconstruc-

Terry Dodsworth opens a series examining what lies behind the international boom in business punditry. which has turned

consultants and erudite academics into millionaires

publisher calls its "heroic" qualities, the fairy agle story of a man who rose by his own efforts from humbla origins to mount one of the most remark abla industrial rescues of all time. The book spent 20 weeks at the top of the New York Times non-fiction lists, and has still not been dislodged from the Top 20.

The other three works tackla the themes of US corporate, renovation from very different angles. In Search of Excellence, by Tom Peters and Robert Waterman, both former McKinsey consultants, sets out to discover and describe what is best in the US corporate world—and has sold over 5m copies worldwide.

Blanchard's One Minute Monoger, by contrast, is a sbort, snappy, easily-read fable about efficient management, which has soared to sales of well over 4m. Naishitt's Megatrends, which has been translated into 22 languages and has sold a chaimed 7m copies, emphasizes

the transition towards an information-based society and an entrepreneurial economy. It ends with a rousing exhortat of to the go-getting frontier spirit in America: "Wa have extrathe in America: "Wa have attra-ordinary leverage and infinence —individually, professionally and institutionally—if we can only get a clear sense, a clear conception, a clear vision, of the road ahead. My God, what a fantastic time to be alive."

For all these authors, publi-cation has brought fame, guru-dom, and fortune. Iacocca, who was already well-known tion. who was already well-known The main appeal of lacocca, before he burst into point, has for example, lies in what one developed almost mythic status,

and is talked of half-seriously as a potential Presidential candidate. Each can command astronomic fees for an afterdinner speech or a conference appearance.

and the formation of the second s

"It is no secret," says Naisbitt, who these days often shares a platform with his wife and collaborator, Patricia Aburdene, "that we are paid \$20,000 for an appearance." Naisbitt goes on the mad around Naishitt soes on the road around the US and Europe virtually fpil-time in the spring and summer, giving at least 100 speeches a year, so simple arithmetic puts him in the same \$2m-a-year earnings category, at a Wall Street hot-shot or the chairman of General Motors. Renneth Blanchard, says he appears around 120 times a year, also travelling incessantly in the spring and summer conference seasons.

The metamorphosis

The metamorphosis of business authors into cult figures is a new phenomenon. Before this new school of gurus spring to prominence in the 1980s, few business books had made the best-seller lists. It was a field dominated by specialised acadenic publishing, punctuated by sporadic, meteoric appearances of a work that caucht the public that caught the public imagination.

Even the books of Peter Drucker, a management theorist who began writing in the 1950s, who ocean writing in the 1950s, and has successfully bridged the gap between an academic and popular approach, never became particularly big sellers.

porary phenomenon. Two books published at this time reinforced time mood of self-doubt in American manage-ment — Theory Z by William I Ouchi, and The Art of Japonese Management by Anthony Athos and Richard Pascale. Both these works spoke admiringly of Japanese methods, analysed the c culture of Japanese companies, is and suggested that the US could. lears a great deal from Japan. I The books did not become run-Clearly, something radical happened in the early 1980s to create the differences between today's market and those of yesteryear - differences which lie partly in the period in which books were produced, and partly in the approach of the

The turning point in the popularity of US business writers and speakers is generally located around 1981, in the year when, paradoxically, the country began to turn into



4. 16 wave, was suddenly brought face thrown down by the Japanese.

ability. The rising tide of their own champions, actol the Japanese imports was turning virtues of the best US manage-into a flood, and Americans ment systems, and present a were at last beginning to recoge thinly-veiled suggestion that thinly-veiled suggestion that anything the Japanesa can do,

In Search of Excellence, for instance, says "there is good news from America. Good management practice today is not resident only in Japan."

Excellence also typifies one of the other key characteristics of almost all the new wave of books; their overwhelming conculture of Japanese companies, books; their overwhelming con-and suggested that the US could. Corn with the human side of lears a great deal from Japan, business, in stark contrast with The books did not become run-away best-seliers, but they sold tegic analysis which dominated steadily, made a deep impact. management literature in the and sowed tha seed for an past. "I often say," jokes Kenneth Rianchard, "that the second big-learce is a theme which runs and for a large and big-learce is a theme which runs

"I often say," jokes Kenneth Blanchard, "that the second big-gest mistake the Japanese made through much of the new litera-ture. At one level, this is simply deep recession. The two events were not beating hell out of us about a question of elevating a suc-unconnected. US industry, productivity." One of the keys central businessman, such as, for which only four or five years to successful. US management example, Harold Geneen, the, previously had been tiding on boeks since then is the way, former ITT chairman who pub-the crest of an infinitionary, they pick... up the challenge hished his thoughts on manage.,

Jim

ment a couple of years ago, into a vale model. The appeal of this style can be seen in Incocca's book, with its aggregative reassention of the values of American entre-preneurship and individuality, described by its publisher. Stuart Applebaum, as "the ultimate success fantasy."

At the same time, the-idea of champions, or model com-panies, has been reworked in many of the books into the "how to," prescriptive approach which has such a strong tradi-tion in more general US pub-lishing. Intropreneuring, a work which hit the headlines a work which hit the message a year ago with the message that large companies can develop entrepreneurial in-stincts if they organise them-selves for it, showed how several-hig US companies had already done it

the state of the s

Financial Times Monday June 30 1986

EDITED BY CHRISTOPHER LORENZ

Don't Teach You At Harvard loo book-you can read it in a

oter, which gives the rea tipe on how a self taught dealmaker manages to stay a step ahead of the competition.

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The emphasis on entrepreneurship serves two purposes. On the one hand, it speaks very directly to the new wave of self-made businessmen, who are still emerging at a virtually unparalleled pace. Many of the people who attend the conferences and seminars given by the gurus are inde-pendent businessmen setting up on their own or concerned ebout how to run their com-panies better.

panies better. The vaunting of entrepre-neurial values equally appeals to the current business school generation. Not for a very iong time has the business of making money been as popular with young people in the US as it is today—a reflection of the emergence from the Vietnam era and from the deep social concerns of those years. "The period of introversion has gived way to a new era of greed period of infroversion has given way to a new era of greed and avarice," says Raphael Sogalyn, literary agent for John Naisbitt. "The popular psychology books of the Your Erogenous Zone" variety have

Erogenous Zone' variety have been overtaken by books' that show you how to try to make it in the world." While this revival of the money-making ethic established tha conditions for the business books boom, the phenomenal sales figures also owa a great deal to changes in writing and publishing techniques. First, the better books are all very enrefully conditied. earefully crafted. They are easily read. They have lots of colour and buman detail. They avoid theorising, even when, as

in the case of Excellence or One Minute Manager there is a wealth of research and acadamie underpinning to the

dren, carefully examined a number of successful business books before deciding on their androach. "One of the things we found

stuncts if they organise them-selves for it, showed how several big US companies had already dona it.
On a personal level, too, many are basically a new twist on the age-old theme of bow to make a million," says.
As a result, One dithather. We decided we would make our book one chapter long," he says.
John Boswell, a books packager who thinks up ideas, and sells them bay publishers. Boswell is them in a boilt of the non- one academic them is provide theme.

Business School, a book written sitting." by Mark McCormack, tha sports Second, the tone of the books second, the tone of the pre-is clearly fashioned for the pre-sent generation of dedicated gogetters. Today's authors mix wit with a deadly serious con-cern about improving American competitiveness. At the same time, they are determinedly, unswervingly optimistic, an atti-tude which reflects the change to an era of reassertiveness within the American corporate sector.

Third, business books have profited from the application of new mass-marketing methods in the publishing industry. The the publishing industry. The large sales figures being rung up by the most successful books partly depend on bulk buying by the companies that want to use them as text-books or acquire them for corporate pre-sents, while mony of the large acquire them for corporate pre-sents, while many of the large bookstore chains now aggres-sively discount best-selling hard covers as loss leaders. "Hard cover books have a buge market today," says Raphael Sogalyn.

How long can the boom con-tinne? Many publishers believe that the fashion for business books has already peaked—a point that is underscored by a market that is wallowing in financial new promarket that is wallowing in frequently second-rate new pro-ducts. Significantly, perhaps, there has not been a business book in the New York Times' Top 10 non-fiction list for over a month, and neither of the sequels to Megatrands and in Search of Excellence, has en-inved the surveys of its forejoyed the success of its fore-

. The books that have done best recently are of the auto-biographical - buman interest type, that have a consistently solid readenship—works such as Robert Lenzner's The Great Getty, or Ken Auletta's Greed And Glory On Wall Street, the story of the takeover of Lehman Brothers by Shearson American Express.

To schieve this readability. Iscocca worked with a writer journatist. William Novak. Blanchard, an academic who has several textbooks, says that ha and his co-author Spencer John-son, a psychologist who has written several stories for chil. dren, carefully examined a to run. But for the time being, the big names are still pulling in the crowds. At a recent Florida conference of the US Urban Land Institute, attended -by nearly 1,000 delegates, there was no question that the star speaker in a long and impres-sive list of guests was Naisbitt. sive list of guests was Naisbitt. "He is such a brilliant com-municator," said one Californian participant, who could have walked straight out of Mega-trends as one of the new generation of self-made. US businessmen, "Yon may not agree with what he says, but he is controversial, and he makes you think. We all need that."

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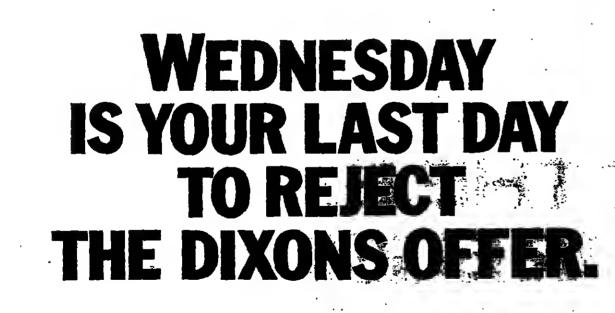
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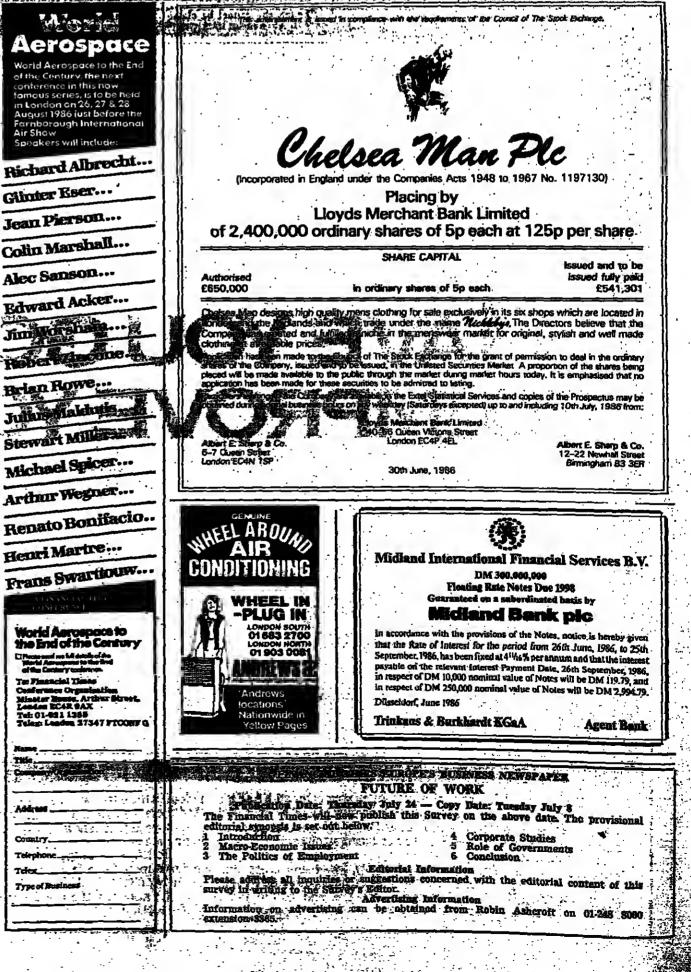
nise that this was not a tem-

perary phenomenon.





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THE ARTS

Architecture/Colin Amery

A deadly sin committed at Henley

Kuijken & Tate/Elizabeth Hall

Dominic Gill

Dominic GiH The Age of Enlightenment, who made their London debut on Friday night in the Previn Music Festival, are a new Bruish orcbestra of period instruments. The orchestra (an unusual feature) is self govern-ational conductors from both the 'original instrument' and 'modern' worlds of music to be guest directors." Future plans, drawn up with the help of H. C. Robbins Landon, in-clude a Weber programme later this year, and two concerri-series of Maydn and Mozartin 1988 and 1989, under such directors as Rattle, Harnon-court, Mackerras, Leonhardt, Brügzen and Norrington. But for their dehut the orchestra daroque specialist Sigiswald Kuijken, in a programme rang

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chose the Renaissance and Baroque specialist Sigiswald Kuijken, in a programme ranging from Telemann and Rameau

to Haydn. They are a splendid gro ... 36 or so players atrong hright-toned abid responsive, who approach the whole business of "authentic" performance on "authentic" performance on period instruments without pre-ciousness or mystique. Their playing of Rameau's suite of 24 dances from Dardawis (his third tragédie en musique of 1739) was a great refreshment, full of vivid colour and a nice rhythmic bounce that had as much to do with the quality of the timbre — especially the non-vihrato string timbre — as with niceties of performing style_

They also gave the French composer Francois-Joseph Gossec'a E flat symphony op.12 no.5: of its routine sort decent no.5: of its routine sort decent enough, but essentially a dull, repetitive piece — is it really necessary. I wonder. as some people say, to hear the secood-rate music of the period to appreciate Haydn, for example, the more? Telemann's D major Ouverture of 1756—ooe of his last compositions — is dull hut more interesting: significant flecks of original colour shine through the convectional routine.

routine

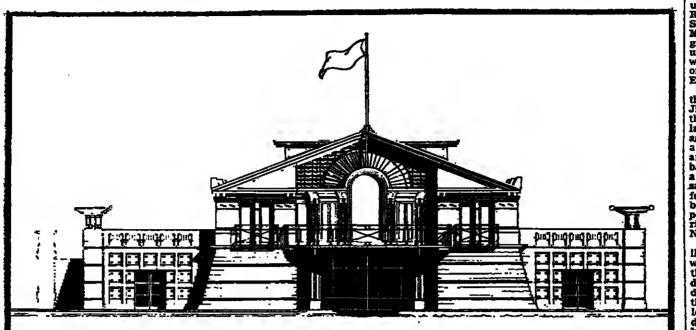
Both performances were ex- the coocession to sell decent and ceptionally lively and com- decently - priced sandwick; mitted; more so even than the again at the Elizabeth Hall, inmitted: more so even than the again at the Elizabeth Hall, in music could ever justify? The stead of the scrappy "open Age of Enlightenment's sandwich" they now only pro-account of Haydn's "La Poule" vide for £1.75? Fresh cakes at sympbony also had admirable the Festival Hall instead of days-drive and clarity: eveo though old, cardboard-dry? And even I suspect the ensemble as a prevent the bars from passing whole, and Kuijken in particu- off, quite illegally, to customers have been been serving for who ack for orange juice. a Lar, may have been paying too who ask for orange juice, a much attention to Robbins commercial orange-coloured Landon's curious view of the drink called "Hi Fruit"?

tra's programme the following evening in the same festival. The ECO are not an "authentic" instrument orchestra, hnt they are of anthentic size, and they are playing these days at the very peak of their form. Jenrey Tate was the conductor.

Their performance of Bizet's little Jeux d'enfonts suite bad a marvellous high-voltage spring to its step; and their account with Cécile Ousset of Ravel's G major piano concerto was a grand and full-blown affairexceptionally close-up in both manner and sonority, almost too weighty at some climaxes for the size of the hall, hut very for the size of the hall, but very exciting, compelling from first to last, Exquisite solo cor anglais from James Brown, flute from William Bennett and nboe from Neil Black. The Spring Symphony (No. 1) is nobody's favourite Schomann work: but it was a delight to hear the music played with the proving the played with

hear the music played with such precise, warm and open-hearted spirit — and those extraordinary Wagnerian pre-figurings in the finale (especi-ally the born and flute motif just before the recapitulation) are always worth waiting for.

The decline of South Bank catering continues. Will the new South Bank Board perhaps persuade the present owners of



A new temple by the Thames, beadquarters of the Henley Royal Regatta, by the Terry Farrell Partnership

When the Henley Royal Regatta opens on Wednesday much of the preparation will have taken place in the brand new Regatta Headquarters. They stand right next to the five-arched, stone, late 18th century bridge, raised to the same height on a large brick plinth. The architects are the Terry Farrell Partnership, frequently described as Britain's leading post-modernist practice. The Royal Regatta head-

quarters building replaces an old timber boat bouse with barge boards and a pub. ft is frequently described as Britain's leading post-modernist practice. It is a pretty remarkable building to find in Henley-on-Thames, one of those affluent Thames Valley towns that try to pretend that Slough and the M4 do not exist. As as conse-quence of its affluence much of the Georgian character of the an unashamedly strong and colonrful creation in the modern classical revival manner.

ner. ft is something of a shock at first sight. The best view is from the opposite bank of the Thames. From hera the solid rusticated brick plinth appears to rise from the water, When the gate are cleared to the heat quence of its affluence much of the Georgian character of the town survives, hut is subject to the carriage lamp syndrome. There are bowever plenty of lovely brick houses, a late Gothic church with a lively chequered flint and stone facade, good stucco Assembly Rooms, gabled and half-timbered inns, and some bigh and dramatic malthouse towers. Any new architectura here the gates are closed to the boat and pontoon store inside the plinth resembles a classical water gate or the ground floor of a Venetian bouse. Sitting on this large plinth are the offices and above them a flat for the

Any new architectura here should continue the gradual, indeed rather gentla develop-

ment of the domestic tradition. There is another school of architecture that flourished in the Thamesside: florid turn-of-the century villas covered in twisted fretwork and patterns; the Leander Club has some of this. The Republic Republ have tried by dint of a lot of

mission. They would not have worried about the modern need to pretend that classicism is a game. They would not have used industrial elements for the den-tils and frieze, not failed so dismally to invent a proper column. The use of a floodlight and above them a flat for the Secretary. The upper part of the scheme reads as one large pediment. This is where f would quarrel plinth have an elegence that is

with the design. To carry a very pleasing.

It is the mixture of colours and materials and the strangely

have tried by dint of a lot of glazing to suggest that this is just a modest pavilion, some-what embarrassed to have to support the revival of the Classical tradition. As an esprit this little essay might work, but it remains a very two-dimensional interpre-tation of the tradition. Imagine would have done with this com-mission. They would not have table to the tradition the tradition of the tradition of the tradition. They would have to the tradition the tradition of the tradition. They would not have tradition. They would not have tradition. They would have to the tradition the tradition of the tradition. They would not have to the tradition tradition of the tradition the tradition of the tradition. They would not have to the tradition tradition the tradition the tradition the tradition of the tradition the tradi

is extraordinary and quite un-like anything commissioned by a bank before; it should be seen.

Infidelities/Boulevard

Michael Coveney

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The latest attempt to ener-gise the Boulevard, a useful off-Broadway style venue snuggled up against Paul Raymond's Revue Bar in Walker's Court,

up against rain houses Revue Bar in Walker's Court, Soho, brings to London Sean Mathias's Ortonesque (1 apolo-gise for the adjective, but it is unavoidable) little sex farce, which Martin Hoyle reviewed on this page at last year's Edinburgh Festival. The situation, rather than the dialogue, is Ortonesque, Jill Bennett, who plays Janine, Jill Bennett, who plays Janine, Jill Bennett, who plays Janine the unlikeliest schools dinner lady imaginable, has picked np an unemployed removal man in a park. She offers him biscuits and a foot massage. Her hus-band Jeffrey (John Castle) is a traffic warden who compen-sates for Janine's supposed in-fertility by seducing young fartility by seducing young boys. "Fil have a fag," he says post-coitally. "You just did," ripostes the youngster. Quite. No more. "Ortonesque."

ripostes the youngster. Quite. No more. "Ortonesque." The couple's separate sex lives are turned upside down when the removal man breaks the rules by turning up six days before his appointed Tues-day rendezvous. And by then the other boy, Mark, has made love to his own mother, the dinner lady, and offared to show her Paradise. (He has been following her for nine months. even going so far as to trail her through Sainsbury's in the Finchley Road.) He makes the same offer to Dad but proceeds oddly to bind both parents hand and foot. The play by now has become ridicu-ious, with Mark's orphanage credentials as the identified Jason?") exploded utterly and the married couple stripped to their underwear, left to their

too-clear out the apartment. I like Geoff Rose's de:\m. especially the pink doorframes. and Mr Mathias directs his play with an optimistic conviction that be might write a better one before long. Details are dodgy. Mark, born in 1963. could not have been a toddler when "She Loves You" was released (in 1963) but Mr Castle, a staunch and solid actor, lends the picce dignity and Miss Bennett weighs in with a bideously enchanting display of crumbling dignity and sensual desperation. Lucien Taylor plays the child molested.

The Legend of Padgate

we * Note: There until July 4 to see two a examples of the work of an inte-ed resting Portuguese architect, a Avaro Siza, et the 9H Gallery, 526, Cramer Street, London, W1, t (afternoons only from 12.30). Of t particular interest is the new t hask for Borges and Irmaso at Vila do Conde. The interior of this bank in marble and plaster a bank horomatical and the set of the Warrington and Runcorn bus service, to the Cinnamon Brow Community Centre, Miss Keatley's play, which features a herd of hogs, offers the alternative tiple, I'm afraid, of Starting from Scrutchings.

Our contemporary theatre is returning to Mystery Play principles of staging and local involvement partiy to re-activate ratepayers' interest and partly, I feel, to rediscover a sense of scale in drama. Howard Barker, and David Edgar, for instance, have worked on Ann Jellicoe's West village, the society they have created—a dramatic analogy for the accommodating pleasures of Country experiment, and the RSC has, in *The Dilles*, re-located the company in its adopted Stratford environment. the Community Centre --- Is

Jill Bennett

own resources and cherry brandles while the removal men --suddenly we're threatened with "Pinteresque" overtoncs too--clear out the apartment.

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feet, and trotters, before a silver band pipes us aboard the bus. At the Cinnemon Brow a Norman fair is in full flow, imaginative use made of a converted stone barn, tricked out with beams and heraldry, where the French lord's wife has com-pleted her conversion by joining the women and rewriting the colonial charter. Their own

David Murray

More Previn/Festival Hall

The free programmes at five minutes over par, a fair Friday's "André Previn Festi- measure of the gap 'twixt val' concert set a fine un- affable reading-through and British precedent, but they strict comic vitality. didn't ioclude the words of The orchestral version of Ravel's L'Heure cspagnole. For Ravel's "Alborada del gracloso" Kavel's L'Heure cspag

Pearl Bailey/Festival Hall

Kevin Henriques

Though she cannot be classi-side an out-and-out jazz singer ably firm and controlled and Pearl Bailey is essentially an has lost none of its vibrant, improvisatory performer as slightly slurred but unmistak-she so engagingly proved on able timbre. Yet too often on Saturday evening in her Saturday it seemed to be recital with the Louie Bellson wasted on material unworthy quariet, part of the second André Previn Music Festival. gentle "Easy to Love" in which she essaved some

Clement Crisp

The Dream/Covent Garden

an audience of mostly monoglot Anglophones, that was a bit dampeoing. Robin Golding's dampeoing. plot summary was excellently clear, but there's no substitute for matching Franc Nohsin's mock-classical verse with mock-classical verse with Ravel's oeatly comic setting. Anne Howells's stylish, randy heroine was a great belp. Had they been clambering in and out nf actual clocks, Martyn Hill's prearing most and Hill's preening poet and Stafford Dean's municipal heavy might have sent themselves up with more verve.

depths. It still made a lively concert performance, even if Stephen Roberts's deportment as the virile muleteer suggested a superior head waiter, and Alexander Oliver's tenor cuckold was no trial (one of those French voice-types named after a long-dead singer: Antoine Trial specialised in nasal wimps, and came to grief as a Robespierre agent). Previn lavished sympathy on Ravel's mock-clockwork score. but let the tempo slip rather too often to accommodate his singers. f reckon the piece ran

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(nowhere near so effective as the piano original) was less happy: muzzy trumpets where brilliance is essential, and every string-tune drowned by brass. Previn's own Guitar Concerto from 1971 is apologetically hland stuff — the irruption of jazzy electric guitars and kit-drums in the Finale is a mere trick, never developed-but it made a good excuse for hearing John Williams. He delivered Previn's little tunes with cool tact, and in the slow-movement cadenza even suggested bonest

'Liaisons' returns

Christopher Hampton's ad-aptation of Laclo's novel Les Dangereuses, which Liaisons won the Plays and Players Best New Play Award in 1985, is to return to The Pit at the Bar-bican for a short season in July before transferring to the West

End in October. Lindsay Duncan and Alan Rickman again play tha leading roles. Howard Daivies directs, with designs by Boh Crowlfey.

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concerted.

wasted on material unworthy strange and as a horid wara-ing about foreign travel. (The gentle "Easy to Love" in which she essayed some extended boofing, which did little to belp her hreath control, and "Fly me to the Moon." Her strong show business roots-she started out as a speciality dancer in the 1930s-have blessed ber with a sharp, Moon.' sly wit, an ability to cope with

Moon." Alas, "Won't You Come Home Bill Bailey?" and "Hello Dolly!" are almost mandatory in a Pearl Bailey performance any situation and to take firm command of an audience withont any chance of being disnowadays and thongb on Satur-day it pleased the ecstatic aodience it seems a shame that Whether insisting that the bandful of people seated behind her move to get a better view, sitting on the edge precious time with this excep-tional artiste, who so rarely

of the stage singing, sans microphone, "I'll Be Seeing You" (written hy Sammy Fain and Irving Kahal, not Noël performs here, is wasted on musical irrelevancies. and inving Ranai, not include Coward as he so mysteriously Insisted), exchanging sallies with the andience, going walk-about in the auditorium and Pitlochry departure

The director of the Pitlochry Festival Theatre Sue Wilson, has decided not to renew ber about in the auditorium and result interfer Sut Winson, it really was unrehearsed has decided not to renew ber spotting Cotton Club star of contract and to leave after three the 1930s Adelaide Hall and season's in the job. Sbe will persuading her to sing "I Can't direct the three remaining plays Give Yon Anything But Love," this season, Far From The Mad-Pearl Bailey does so with a ding Crowd, The School for rare and totally natural charm. Scandal and The Crucible, For a lady who, to put it while the new artistic director tenderly, is in her sixties, her is appointed.

The Dream. To the speed and whirling intricacies of the

choreography he brings a supple ease; the stretch of his line is full, his technique is clean, and there is the add/1 grace that only a young body can bring to bravura writing. In matter of dramatic interpretation the reading is as yet a sketch: required study should a sketch: required study should be Stephen Jefferies' Oberon of the night before, where every least gesture spoke — and how clearly! — of a character more

sombre in feeling than is usual. dominating the action. The new Titania on Friday was Karen Paisey, her pretty style very fetching in dance as in emotion, and that the role admits of a range of feeling was seen on Thursday when Wendy Ellis spun and darted through the dance, and matched Jefferies' commanding

A bonus on Friday was Michael Coleman's wildly funny

but the impulse is fascinating and pervasive and, certainly in impersonation of Bottom as a merry Irish tinker. Mr Coleman can do no comic wrong, and Padgate, thoroughly enjoyable. Bottom's stylish point work, like his bemused delight in events, is precise, convulsing, and not to be missed. This is the acceptable face of nateur drama with its colour-

amateur drama with its colour-ful home-made costumes and bright-eyed participants. In the studio we are welcomed by the wise woman of Walintune, or Warrington, who creates Pad-gate and then the rest of the world. The hogs' chorus, the people's protection, offset a capering band of evil humours, and this spiritual contest is threaded through the conse-quences of the Norman inva-sion. Two brokers' men from the Domesday Book choose a It must be said that The Dream and Scènes de Ballet in their present revivals are very well danced: whatever the imprecisions in the company's way with certain other ballets, these Ashtonian gens are properly displayed. The need to replace Scenes with Kylian's mopery Sciences with Kylian's inopery defeats comprehension; its wormy outlines and emotional fatuities distort the company's style at a time when first priority must be given to academic propriety and stamina. Stronge Land is a Barmecide feast given in a mortuary.

mortuary. The third Ashton plece, Les Patineurs, lacks sparkle and charm, its cast giving the impression of pever having seen skating. and who have acquired skills of thatching, tanning and build-

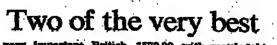
acknow ed by the French The fashion may not spawn a overlord whose men, subjected first class text for some years, to hogwash and determined to save their bacon, dissolve back into a co-operative venture on the womenfolk's terms.

Shell/LSO's first decade

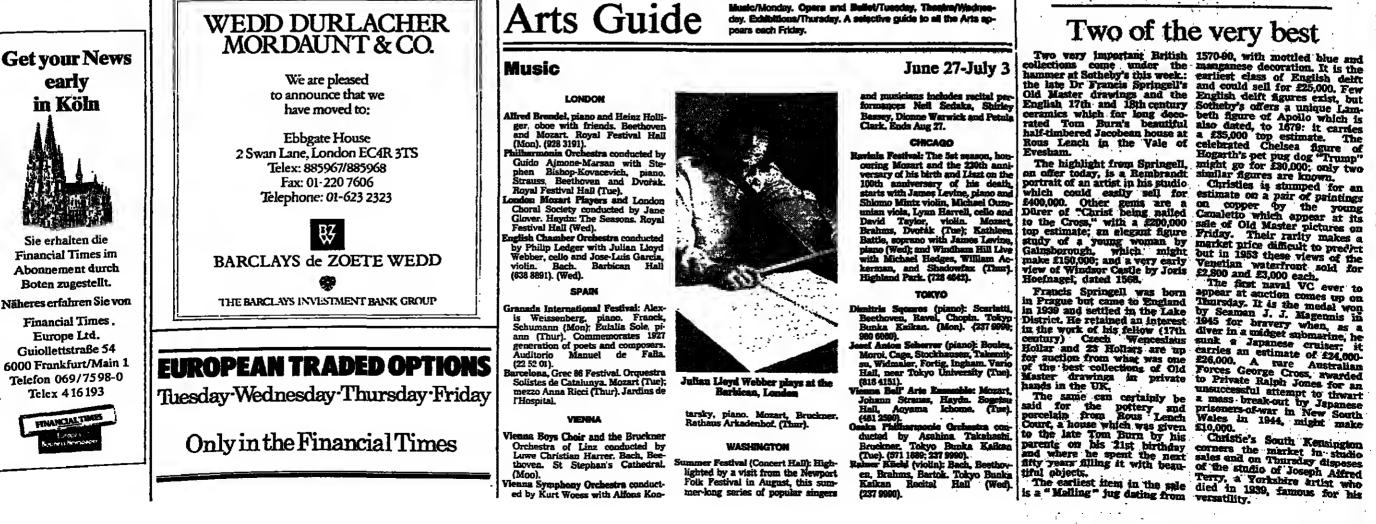
Stephanie Gonley has won the tenth Sheil-LSO Music Scholarship, worth £4,000, the prize money going towards smoothing the path of the recipient towards a professional career in music. This year the scholarship was reserved for string players; Stephanie is a violinist.

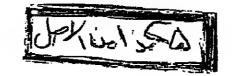
sion. Two brokers' man from string parter, the Domesday Book choose a violinist. Site for King William's castle. In the past decade Shell has the locals set np their own invested fim in the sponsorship, town in opposition. The locals are, in fact, all back-up suport fin success is women; who have lost their shown in the number of past women in the Norman invasion winners that are now leading netformers on the British musical scene

Saleroom/Antony Thorncroft



carries an estimate of £24,000-£26,000. A vare Australian Forces George Cross, awarded to Frivate Ralph Jones for an unsuccessful attempt to thwart a mass break-out by Japanese prisoners-of-war in New South Wales in 1944, might make £10,000.





Emalicial Linics Saturday June 28 1986

THE FAMILY FINANCE &

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Financial Times Monday June 30 1986

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Monday June 30 1986

Europe needs to compete

approach, however, is dehat-able. Though Its backers differ over some details of the pro-gramme, Its hroad aim is to gramme, its hroad aim is to stimulate joint development by companies in different Euro-pean countries of products and services with well-defined commercial applications.

Eureka will have no funds of its own, but many governments are allocating national subsidies on a priority hasis to companies involved in Eureka projects: Bonn, for instance, plans to pay three-quarters of the cost to West German companies of par-ticipating in 19 new projects.

The justification for auch funding is that, without public money, Eureks would amount to money, Eureks would amount to precious little. Another view. however, is that many of Europe's weaknesses in infor-mation technology — where most of the Eureka effort is focused — stem from the long-standing reluctance of some larger electronics companies to sccept commercial risk without lavish inducement from the public purse.

Lethargic management

Eureka based on is an apparently unquestioned assumption that more intra-European collaboration holds the key to a more dynamic industrial performance. The Airbus and Ariane space pro-grammes are beid up as signsi successes for this approach, though less is ssid about Con-corde and the Unidata computer fiasco.

Both Airbus and Ariane are boin Airnus and Arnau are in markets with few competitors which require long-term invest-ments on a scsle which even governments cannot afford on line its production capacity;

EUREKA HAS developed in the past year from a vague French-inspired response to the US Star Wars project into a Europe-wide programme of industrial collaboration in high-technology, which will be form-ally blessed by ministers from ally concerting the concern with which Europe'a technologi-cal competitiveness is viewed from national eapitals. It is also a welcome sign of the extent to which European countries accept that they can only hope to challenge the industrial apperiority of the US and Jspan by concerting their efforts. Whether Eureka ia the right approach, however, is dehat-

by US companies. A much more plausible ex-planation of European com-panies' weakness is lethargic and introverted management. Unlike their American and, in-creasingly, their Japanese rivals, few of them have bothered to organise themselves and market their products aggressively on their products aggressively on a Europe-wide hasis.

Bold decisions

In these circumstances, it may be wishful thinking to imagine that if large companies, in, say, Britain, France and West Ger-Britain, France and West Ger-many collaborate to develop common products, they will automatically have an incentive to sell them in each other's home marketa. The danger is that such arrangements will encourage the formation of

cartels. A crucial difficulty facing Eureka and other similar initiatives is that they seek to stimulate collshoretion between European companica which, unlike their American and Japanese rivals, have not yet learned to compete against each other cartels. each other.

The result in many Euro-pean high-technology sectors, notshly telecommunications and semiconductors, has been and semiconductors, has been the preservation of excess capacity fragmented into uneconomic sub-scale units. Rationalisation has often been impeded by inward-looking "national champion " policies. Recently, some European companies have begun to try to break out of this pattern and to treat all of Europe as one to treat all of Europe as one market. They include Italy's Olivetti, which is pursuing an

S withDON Town and Swin-don town are doing rather well for themselves. The former, a football team, has battled its way out of the bot-tom of the English league and ia pusbing itself up the Third . Division towards what it hopes will he a return to it a glorious days in the First Division. The latter is a Wiltshire town which has seen its illustrious past as the cantre of the Great Western Railway reduced to derelict sheeds and disused sidings- But it is also one which has fought hack without aid or subsidy to he described by Lloyds Bank as western Europe's fastest growing micro-economy. Lloyds Bank as western Europe's fastest growing micro-economy. Old and new Swindon sit rather uncomfortably together. Unlike the planned chrome and manicured landscaping of new-tech towns like Milton Keynea, large sreas of Swindon, like Derby or Shildon, hear the balimarka of those Victorian towns which prospered as the railbeads for the grimy railways which were the arteriea to the hearts and muscles of the in-dustrial revolution. The reilwaymen's red-brick cottages, allotmenta, working

The reilwaymen's red-brick cottages, allotmenta. working men's clubs and pubs are all still there although the old GWR workers' hostel is now a reilway museum, the GWR hos-pital is a community centre and the railway village is a Railway Village, the subject of the sort of conservation and preservation orders which mark bygone ages. The glossy-coated hlack GWR horsea which pulled the GWR funeral hearse are long GWR funeral hearse are long gone. Swindon's railway era finally

expired in March with the closure of British Rail Engineer-ing and the loss of the last 2,000 jobs from an industry which once employed 17,000. The impact was dremstic, taking the town's unemployment average from well below the regional average of 12.2 per cent to above it.

But it could have been worse. The town had been preparing for the change from an economy based on a single steam-age industry since just after the end of the war. With considerable foresight the municipal "fathers" used ratepayers mooey to huy up large tracts of adjacent farmland around the town-land which is the basis of the town's remarkable growth

story. The masterstroke next appears to have been to hire Mr Douglas Smith as industrial adviser following the economic slump of 1977 when nobody



Donglas Smith: a logacy of undeniable success

ector bureaucracles. Businessmen clearly like and understand him; councillors and their officers less so.

officers less so. His theory was this: tech-nology-based industries will grow: users of that technology hased in commercial offices will hased in commercial onices will grow; however tough the going gets the HQ, area HQ, and the central sales offices will be the last to close, whereas warehous-ing and peripheral offices are all too easy to walk away from.

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Armed with a modest budget of £250.000 (now still only £500.0001 from the council Mr Smith set up Swindon Enter-prise, not in the town hall hut in businesslike offices in a new town centre office block. He set his sights firmly on the US new-tech Industries—English-speak-ing companies which might need a Common Market base. He had and has no assisted area or development subsidies to offer. "If you can't make a profit by yourselves stay away

from Swindon," he says. "Lecture tours across the US about the merits of Swindonwhose council was renamed Thamesdown in local govern-ment reorganisation so it has s name which no one anywhere large-scale sales. Mr Smith can find on a map-proved tramped the streets of the expensive and fairly fruitirss. square mile trying to convince But I realised that any company City institutions to invest their planning to come to Britain money in Swindon. Today would first make contact with Douglas Smith as industrial the property world. So I devoted ings, incongruous next to the adviser following the economic sump of 1977 when nobody property agents and advisers so tunnel shopping malls endemic to much interest in they all knew everything there to much of urban Britain, sre is to know about Swindon-Iand visible and profitable testament and office avsilability, 50 to the investments of Commercial Union, Sun Alliance, so the direct line to the heart of next to the M4, in the golden western was not control of the beart of next to the M4, in the golden western is to know about Swindon-Iand to the investments of Commercial Union, Sun Alliance, next to the M4, in the golden Britail. Britain, see to runner is also the property world. So I devoted

ers for more spacious and lower rated premisea outside the coo-it wanted s European and UK gested square mile. Lowndes Lambert and Hill Samuel followed later by National Em-ployers Mutual. The burght that more than the space of the space feet of accommodation on the Westlea Campus.

Europe's growth cities: Robin Pauley looks at Swindon

The hunch that property agents would send people to Swindom to inspect ready built offices in speculative business parks of all shapes and sizes The list goes on - Intel has its European HQ in Swindon. Burmah Oil has its world HQ Burman Oil has its world HQ in a parkland setting there. But there are signs that Swindon may be forgetting the cardinal rule that such success must be perpetually sought and with high quality architecture and the sort of extravagant car parking facilities demanded by

parking facilities demanded by Americans proved right. Dayco Corp, Intel Corp, Johnson Con-trol Systems, Micom, Texaco, National Semiconductors, Seeq technology, System Integrators, IBM-Rolm—the list grew each year and, as Mr Smith had planned, many set up their UK and/or European headquarters nurtured. Not only is Mr Smith's con-Hamill, vice-president of Nat-ional Semiconductors division tract not being renewed next year when he will be 65; the advertisement for his successor ional Semiconductors division and general manager of the company's UK base moved the marketing, production planning, technical support and European warehousing from Munich to Swindon in 1984. "Since then our industry has bed a more mouth time" But as seeks a director of economic and social development which is not at all the same as the industrial adviser charged with and/or European headquarters. getting bricks, companies and jobs into town. had a very rough time." But as Swindon was the HQ there was

and/or European headquarters. At the same time, a wide-variety of British companies did the same thing ranging from the Bible Society, which sold its valuable prestige site in the City, to St Ivel-Unigate. As providing space for the flow of incomers used up more and more of the council's care-fully acquired land and as both land prices and restrictions on And for the first time some serious marketing mistakes are being made. It is not like Swindon to have a client like Chase Manhattan eager to move in from London and then lose them together with 1,000 than we are but Swindon won jobs. But that is what hap- in the end because of the pened hecause Bournemouth area's house prices. We cou-gave them a sharper deal, sulted the staff who had to be Swindon refusing to offer any relocated both from Munich land prices and restrictions on expenditure precluded further

Despite its success; Swindon -land and they preferred Wilt-will have to be careful not to shire." price itself out of its markets. Whereas National dramatically stylish office buildings, incongruous next to the dull car parks and dreary wind conductor is large and new to Swindon AMI Microsystems is. Industrial rents currently range from £2.50 to £4.25 a square foot small and has been there since 1977 when it also transferred plus £1.10 to £1.50 for rates. Office rents average between £4 and £9.50 per square foot plus

Riding a high-tech wave quality of the unemployed is generetty low even at the secretariat and clerical level. If I were starting up in elec-tronies Id definitely come here or mearby because all the ex-pertise is on the Reading-Brachnell-Swindon-Bristol corri-dor. Swindon wins because rents and housing costs are lower in this area although I wouldn't like to live in the town itself." town itself."

..... XVII

This reflects the view of many

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the straight .

wouldn't like the analy town itself." This reflects the view of many senior executives for whom part of Swindon's attraction lies in "The Beeches" or "The Old Rectory" in one of any number of pleturesque villages in the Mariborough Downs and the Cotswolds, all within 30 minutes of work. This is fine for married people or executives in search of peare and quiet and close proximity to the smart cafes and designer clothes shops of Bath and Cheltenham. "But there is a problem about Swin-don in non-working hours for our younger employees and I am concerned about our young single graduates who are very frustrated by the lack of social life. There is an emerging electronics industry in Bristol and young stars may well go there because there is more energy to the town. I've already lost one," says Pauline Hamill. "There is nothing wrong in Swindon that cannot be put right but the general facilities." David Roberts, retail group managing director at W. H. Smith, agrees. "They have done fantastic things here but what Swindon lacks is life and spark for the young singles."

years average per capita spend-ing power is np 25 per cent in real terms, one in six people in the local economy has a job

working for invested US dollars. working for invested US dollars, compared with a national average of one in 10. Crucially, more new jobs are now being created by companies which moved in during the past five years than by the new ones coming in and setting up. "That says it all," says Mr Smith. A key test of one of Swin-don's theories came with the sharp downturn in the micro-electronies industry. Pauline.

what Swindon lacks is life and spark for the young singles. The council recognizes the point. Arthur Miles is the Labour leader of Thamesdown Council. He has been a local conncillor for 28 years and was a Vickers toolmaker for 38 years. An old-school Socialist, his pride in Swindon's success in uncontainable. "We want in uncontainable. We want companies to keep coming but we also want to be able to control the growth rate and we must start finding just what companies are willing to put into the town when they get here. Our great tragedy is that in spite of our success we still have all this unemployment and youth unemployment."

However, a new and expected source of prosperity -may have opened up in the town. Swindon has never courted Japanese companies because they are renowned for seeking out assisted areas. grants and subsidies. But last year Honda brought itself to Swindon and bought 130 acres plus a 230-acre disused Vickers airfield at South Marston in a move shrouded in inscrutable secrecy hut officially defined as a pre-delivery check and test facility - which would make it one: of the world's most

beir own. But whether it is practical to soply the same formula on a hlanket hasis to fast-moving, intensely competi-tive markets such as microcomputers and robotics is far less certain.

Eureka's official sponsors argue that, even if all the procially, once companies will enough companies with the working together they will enough companies with generate increased pressure for vigour and self-confidence to the creation of a genuine com- grow by their own efforts.

and European Silicon Struc-tures, the novel pan-European

jects do not succeed commer- initiative on world high-tech-cially, once companies start nology markets only if it bas

tures, the novel pan-European semiconductor start-up. Such actions require persist-ence, visioo and a willingness to take hold decisions on the part of the companies con-cerned. In the longer run, Europe can hope to regain the initiation on world birth the Britain's tech future-was not fully realised. Mr Smith is an urbane chainsmoking husinessman a former of old rec Plessey executive and chairman to live in."

Botham's new

Peter May's phone wasn't exactly off the book yesterday,

hnt they were telling us st his home at Selborne, Hampshire.

bumper

Men and Matters

corridor hut cheaper than the Private sector mooey is also But the rival towns, surrounded by now committed to some of the steadily. stunning countryside with lots newer business parks - 80 acres Nevert of old rectories for executives at Windmill Hill bought by the behind s Kuwsiti St Martins Investments

of two business consultancies. The strategy started to work, and the Delta Business park with no experience of and little helped by the search hy some which the local council and Tay-time for time-consuming public major City of London employ. Jor-Woodrow have on a 50-50

HQ out of M £1.80 to £2.30 for rates. These figures are lower than competitors nearer to London-Brack- and the nell and Reading for example. in Graz. they have increased

them in

Nevertheless, Mr Smith leaves . behind statistics of undeniable success. Between 1978 and 1985 around 25,000 and 27,000 jobs in industry (excluding services) were created; over the past five

bequesthed to

Its HQ out of Munich. Since the of the world's most then the company has become expensive. part of Austria Microsystems. But it is less than a mile and the European HQ is now from Austin Rover's body-in Graz. There are just 15 staff in Farm and speculation that Swindom now in the charge of Honda's long-range sights are Stuart Compton. Stuart Gruzzka, director focused there have led to a Northern Europe. "It's a great stream of inquiries to Swindon

nich. Since

no threat to its future; it just did not expand. "We looked at Bracknell and Milton Keynes; We would have liked to be nearer Heathrow Airport

place to work, with London and from Japanese companies want the airport both within an ing to be suppliers. A new, hour. But there is an employ- redder sun may be rising over ment problem because the Swindon.

Pros and cons of predators

LAST WEEK APV, one of many companies, of which several British engineering Distillers is an example, have companies which have become been allowed by their owners companies which have become the targets for aggressive pre-dators, fought off an unwel-come bid from Siebe. It despite a pstchy record, it had a credible strategy and a manaryment team capshle of implementing it. implementing it.

Yet APV's success is unlikely to deter the so-called mini-conglomeretes from continuing to look hard for undervalued assets in engineering and eise-where. There is a widely held view that this takeover activity is bad, because it makes managers too preoccupied with managers too preoccupied with sbort term results. But the predators can bave a useful rola in gingering up an industry and, as the APV csse shows, they can be beaten off if the defending company's arguments are good enough. It is certainly truc, as APV pointed out, that bids of this kind are almost unknown in

that he had gone for a quiet walk. "Having had so many media people breathing down his neck he has gone to calm down." lad, lan Botham, could have driven England's chairman of selectors out of bouse and bome on a pleasant summer Sunday? Meanwhile the cricket world

ing conglomerates can some-times acquire a reputation for infallihility which is not justified either by their underment. and by bis county club, Somer-set, took a furious swing at the selectors in a speech at a lying industrial record or by past experience of similar com-panies. (Tbe unscrambling of ITT, the classic US con-glomerate of the 1960s and 1970s, ahould be a warning

snows, they tail to be been are if the defending company's arguments are good enough. It is certainly truc, as APV pointed out, that bids of this kind are almost unknown in West Germany and Japan. But to does not follow that tha absence of an active market in absence of an active market in the industrial success of those two countries. Necessary struc-tural changes can bc facilitated by the takeover process. Some of them are more interested in financial engineer-ing than in cutting and shaping time take of this cutting out fat, they may be less to comfortable with the time-ing new products and building promoters of change; they do not hold the key to the com-petitiveness of British industry. A balanced view of their role Some of them are more

by the takeover process. **Management upheaval** Companies need to be under constant pressure to improve their performance. Tha threat of takeover if their share price Another is, or should be, the willingness of owners, prin-cipally tha investing insti-tutious, to intervene in a poorty run business and install new management. It may well be that the UK has had too mncb of the first sort of pressure and not enougb of the second. Takeovers after all, especially large ones, involve a great deal of manage-ment upheaval and are un-certain in their results. Too

selectors drinks pink gin." Bailey went on to describe Botham as "still a great player and I've got a lot of affinity with him." Another member of the old gnsrd of players wasn't so charitable — Denis Compton was quoted as calling Botham "a yobho who ahould never play for England again."

and there is a possibility that Botham may find himself charged again with hringing the Who else hut cricket's bad game into disrepute. Many inside cricket's inner circle suspect that the Manchester outburst could he the final nail in his coffin. It is hard to know where he

was buzzing over Botham's latest thinks be is going. Bailey attack on the game's establisb- reckons that he must have lost ment. Botham, banned by England the abort time since his suspen-

High drama

selectors in a speech at a Manchester cricket dinner — a typical selector was "someone they bring out of a loft, take the dust sheet off, give him a plak gin and sit him there. He con't co that of a contine Weekend reports have once agsin been making a drama about the extramural activities of the chiefs of our two big sub-stdised theatres, Sir Peter Hall He can't go out of a 30-mile radius of London because of the difficulty of getting back. "You bave a better chance of at the National and Trevor Nunn at the Royal Shakespeare

"You bave a better chance or picking a Grand National winner than you have of making up your mind up what the selec-tors are going to do." Our cricket man, former Engisnd player Trevor Balley. Hall feels psrticularly bitter about this new bout of carping. tors are going to do." Our cricket man, former Engisnd player Trevor Balley, comments: "There's a lot of things that can be said sgainst the selectors — the treatment of David Gower, for example. Bnt Ian, as usual, went about it the wrong way. I was talking to bim only a few days sgo and I advised bim to concentrate on After well over a decade at the NT, and with isst year's Rayner report giving him a fairly clean bill of management bealth, be considers his excur-

sions into opera production at Glyndebourne, or selling off his NT plays as profitable transfers to the West End and Broadway, both stimulate him intellectu-ally and case the NT's hard-prosed finances I advised bim to concentrate on ricket and be careful what he said in future. Hc seemed to accept that. And incidentally, so far as I know. none of the selectors drinks pink gin." pressed finances. But there are signs that the

crillcism, taken with the penny-pinching atlitude to the arts by the present Government, are

" and I told the wife that if she didn't votc against divorce, then I'd leave her."

pared to the money Trevor Num bas gained from Cats and Starlight Express and stands to gain from his latest produc-tions, Chess and Les Miserehies. But at least be makes no pre-tence of runniog the RSC single-handed. For years, be bas worked in tandem with Terry Hands, who is the joint-director. Wilh the opening of yet another RSC theatre at Stratford-on-Avon, the Swan, now safely concluded, Trevor Nunn may well feel that he has done his hit, and more, for the subsidised theatre.

and I've got a lot of affinity with him." Another member of the old gnsrd of players wasn't so charitable — Denis Compton was quoted as calling Botham "a yobho who ahould never play for England again." , Peter May has already said that the Test and County Cricket Board will "consider what to do, if anything, after studying what he has said." This could bappen this week

perpetuity. So the British Museum was-taking a gamhle when it sold 25 Old Master prints at Sothehy's on Friday. Many were Remhrandt's and they brought it £104,885. There were two reasons for the sale — all the prints were duplicate impressiona and the money was needed to acquire one special print, a monotype by Castiglione, which is very rare and which had been offered to the museum hy the Duke of Devonshire—at a price. The relationship between the Britisb Museum and the Duke is sensitive. In 1984 he offered them 71 Old Master drawings for £5m. The museum thought the price too high and the Duke sold them at Christie's for £21m. Many went overseas. When tha Duka needed to raise some more cash, and sold Old Master prints at Christie's last December for £3.6m, be offered the British Museum a first option. Hence its keenness to acquire the Castiglione.

Jaws again

American Telephone and Tele-graph, has faced new competi-tion from upstarts in tha long-distance telephone business like Washington-based MCI Com-

distance telephone business like Washington-based MCI Com-munications. But now it faces a more fishy challenge. MCI may be snapping at AT & T's heeis, but sharks are optic cahles. Apparently attracted by magnetic fields around the cablea, the sharks are responsible for "several outages" in the group's experi-mental fibre-optic cable near the Canary Islands. "Wc knew there were sharks in the area, but we did not think they would gn ao deep," AT & T said. How did the engineers know sharks were to blame? When they dragged up the failed cable they found the teeth embedded in it. The company's older sub-marine cables have proved largely shark-free because they used copper wire rather than glass-fibre. Copper wires do not generate so mucb megnetism.

not generate megnetism.

Observer

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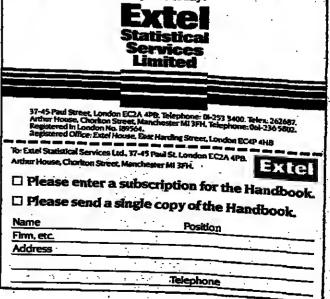
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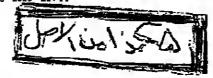
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As France's privatisation programme begins, British bankers are looking for business, and some French bankers are seeking new jobs

Foreign bankers circle over Paris

LONDON merchant banks and large Wall Street investment houses are indulging these days as they call it in Paris. All are busily promoting their services and talents to try to cash in on the opportunities which the French conservative govern-ment's industrial and banking privatisation programme ikkely to offer.

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Kleinwort Benson shows to velect visitors at its discreetly opulent town house in the well-heeled 16th arrondissement of Paris a list showing that it has been hy far the most active merchant hank involved in Britain's privatisation pro-gramme. It is also forging a close but not exclusive association with Credil Commercial de togethe France (CCF)—the large to acqu French slate hank regarded as ling sta an early candidate for privati. group. sation— to help strengthen its chances of playing a significant banks make in privatization in Emerce privati

role in privatisation in France. Morgan Grenfell, which has traditionally had links with the French Indosuez hanking group, has just hired as chairman of its Paris subsidiary, Mr Jean-Plerre Souviron, one of the architects of French industrial policy during the Giscard d'Estaing presidency who has good connections with the new right wing government.

County Bank, the merchant banking subsidiary of National Westminster, is planning to send a full time representative to France in the antumn to follow closely developments on the French financial scene,

Most of the other leading British merchant banks have also been training their sights on France, sending representatives over with increasing regu-larity on the London-Paris air sbuttle to see what business they can pick up. The Britisb Embassy in Paris and the UK Treasury in London bave also been promoting British banking services abroad. They have been steering French administration and company officials to seek privatisation advice from London merchant banks and percently optimized a successful

recently organised a successful seminar in Paris on the British privatisation experience. These initiatives have been

all the more welcome for British bankers in the face of aggressive efforts by US banks and investment houses to sell their services to French com-panies and banks due to be privatised. stocks during the recent short

States of the Party of the

Co-operative

French companies like L'Air Liquide and Pernod Ricard have also had bad experiences in placing shares in London. The volatility of British institutional investors has given London a bad reputation," he added. Bat another school of British bankers believes that the French government is open and indeed seeking advice. However, all hankers agree that no foreign financial insti-tution will be able to lead or co-ordinate the whole privati-sation of a French company or Channel Tunnel," said a British competitor.

For international banks and merchant banks, privatisation offers four opportunities. The first two involve advising the government on one hand and companies and banks to be hank. French financial institutions are expected to lead privatisation projects. But many could be associated with foreign privatised on the other. The third business is beloing to put together groups of shareholders to acquire a major or control-ling stake in a newly privatised banks Lazard Freres, which is wholly French hut can draw heavily from its aister banks in the UK and US, is in a good posi-

The fourth rola international banks can play in French privatisation is in the distribution, placement and under-

and auditors see many appetis-ing short term and longer term writing of new equity abroad. The competing banks are also keen to play a major role in the very dirst French privatisa-tion deal. "There is tremendous opportunities in French privati-sation, they are also showing increasing signs of frustration over the delays in the impleprofitige attached to whoever leads or is heavily involved in mentation of the government programme. The timetable of privetisation has been steadily the first deal," said another international hanker. slipping and the Governmen appears in no horry to rush through privatisations of com-

Investment bankers are divided over the opportunities offered in odvising the French One school believes that there is only a limited role for foreign banks since the French Treasury, dearly wants to mastermind the whole privati-sation programme itself.

and to prepare to seize oppor-tunities when they emerge. "Information is the name of the game," said a British mer-chant banker. Moreover, the French government seems to he extremely suspicious over the real motives of foreign banks. Although the government plans to offer about 15 to 20 per cent of the new shares of privaticed "It is very important to be known by the French authorities not only to secure business but also to find out what is going on," he added. "With about 65 companies to be privatised of which between 12 and 15 are companies to foreign investors, it is anxious to ensure it knows who is buying the shares

abroad. One element making life more difficult for British mer-chant banks is the worry of the major industrial or finance groups, you have to know whe to concentrate and direct you marketing efforts. You mu find out which company is doin French government over British institutional investors. "The French are anxious and scep-"The well and which will be priv tised first. And naturally yo tical abont the genuine portfolio must keep an ear close to the ground to find out the late Interest for privatised stocks particularly in London," said a British banker in Paris. "They gossip on the state chairmo who will survive and those wi were upset to see that it was the will be dropped.' London institutional investors who were pulling out of French

Paul Betts

In this respect a bank like

But if international bankers

For the London and Wall

Street investment banks the main concern is to find out

what is happening on the privatisation front in France

panies and banks.



JEAN DEFLASSIEUX: Ready to quit with dignity

UK PRIVATISATION RECORD

	Bank	Company	(£m)
ī	Kleinwort Benson	British Aerospace, Cable and Wireless, Associated British Ports, Enterprise Oll, British Telecom	5,709.4
2	Lazard	British Aerospace, Britoil	724.1
3	Schroders	Associated British Ports, Cable and Wireless	529.8
6	Rothschild	Amersham International, Britoil	309.8
5	Hift Samuel	Jaguar	293.5
6	Warburg	Britoil	274.3
7	Morgan Grenfell	Amersham International	35.5

AND THE FRENCH AGENDA

	Profits *FFr	Turnover *FF
CGE	1.185bn	71.9bn
aint-Gobain	750m	66.7bn
echiney	732m	35bn
thone-Poulenc	2.3bn	56bn
homson	583m	59.4bn
If-Aquitaine	5.3bn	180.7bn
		Assets
NP	1.77bn	950bn
redit Lyonnais	1.2bn	842.7bn
ociete Generale	T,6bn	738.2bn
CF	255.6m	160bn
uez	1.52bm	300bm
ribas	1.35bn	55 ibn
* All 1985	figures	

whose future will be decided in the next few weeks, The government's choice, to

The government's choice, to be amounced after months of discreet but intense jousting for the top posts, will reward or frustrate personal ambition among some of the biggest trames — and egos — in the French husiness world. More important on a wider level, the government, facing considerable temptations to organise a mass purge, will have to try to avoid damaging shake-ups in enterprises now preparing for the challenge of denationalisation. Mr Peyrelevade, in his quiet way, is one of the most contro-Finance Minister and close ally of Mr Chirac (as the previous head of two subsidiaries in the nationalised Compagnie Géné-rale d'Electricité group, he also

way, is one of the most contro-versial of the present state chairmen — and appears one of the most likely to be asked to there will be no witch hunts.

find another job. Mr Peyrelevade arrived just over three years ago at the modestly elegant headquarters of the company that for nearly of competence. It will want to avoid the mistakes of the Socialists in 1982 when all the chairmen of a century ran the Suez Canal. Even conservatives admit be has made a success of running

the banks being nationalised (as well as those of the hig three) were changed in an outbreak of the group, But Mr Peyrelevade, a one-But Mr Peyrelevade, a one-time aeronautics engineer who made a career wilh Crédit Lyonnals, the second biggest nationalised hank, is also a Socialist. He served between 1981 and 1983 as a chief adviser mass blood-letting. The government also has to respect some of the wishes of President Francois Mitterrand, who will want either to mainwho will want either to mani-tain or to find alternative top-notch jobs for protegés and friends such as Mr René Thomas, the chairman of Banque Nationale de Paris. to Mr Pierre Mauroy, tha first prime minister in the previous left-wing government. Mr Peyrelevade was one of

the main executors of the Socialists' 1982 nationalisations which the Right now proposes to unravel. The government also intends to sell off enter-On an even more Byzantine note, the decisions will also take account of personal also intends to sell off enter-prises—like the three biggest enterprises concerned, as we banks and the Elf Aquitaine as promises made to reward oil group—taken over after the war. basis in opposition. One indication of the scale of enmities and rivalries in the

Mr Peyrelevade says be is the infighting is a comment from Mr Jacques Mayoux, the chairman of Societe Generale. " relaxed " about the future. His morale has been stiffened by the receipt of several pre-liminary job offers in business and commerce. His case how-He said earlier this month that a leaked report from the Cour des Comptes, the government's accounting watchdog, criticising him for doubtful deals in Brazil and Singapore may have ever bighlights a dilemma for the government as it prepares the personnel changes.

The task is somewhat paracome from someone with an axe. doxical. The administration was to grind within the bank. elected in March on a platform Mr Jean-Yves Haberer, the of non-interventionist economic chairman of Paribas, is up policies. But Mr Jacques Chirac, the within and outside the bank polici

Prime Minister, together with a handful of senior ministers, now have the power to hire who support the rival candida-ture of Mr Gerard Eskenazi, the former Paribas number two. and fire the men at the helm. Mr Jean Déflassieux, the former potron of a financial and industrial chairman of Crédit Lyonnais over in 1982. ampire which makes up a large and a committed Socialist, is chunk of the French economy, preparing with dignity for what

"WHETHER I stay or go, I will remain our homme d'offoires," says Mr Jean Peyrelevade, chairman of Compagnie Financ-ière de Suez, the French state-owned financial group and one government's privatisation list. Mr Peyrelevade 1s one of the more than 60 chairmen of nationalised banks, industrial groups and insurance companies whose future will be decided The largest items on the denationalisation list, the banks and the Suez and Paribas finan-cial groups (counting the state controlled agricultural hank Credit Agricole, to be privatised separately), include four of tha tions. The combined assets of banks to be denationalised amount to more than five times the capitalisation of the Paris

ne runs the name which prote and passion. Critics say he is to close to the bank ond its traditions, unable to take strategic decisions and to hreak through the power of vested interests who are blocking change. stock exchange. Mr Edouard Balladur, the Finance Minister and close ally

change. He has none the less presided

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He nas none the less presided over a huild-up in profits. Socialist coonections notwith-standing, he had a furlous row with Mr Pierre Beregovoy, the than Finance Minisler, last Angust when the latter accused him (wrongly) of leaking news knows what it is to be a com-pany chairman), has promised However, in a complex jug-gling act, the government will be making decisions on criteria Angust when the latter actuacy him (wrongly) of leaking news of a dispute over the govern-ment's wish to recall early a 15-year-old loan to the bank. The uncertaintics over which go far beyond questions

The uncertainties over changes at the top are already having a dehilitating effect as managers and business partners wait for news of who will be

in charge. The chairmen to be appointed by the government in the next few weeks may also turn out to

bava only temporary control. With a number of financial and industrial groups wailing in the wings to seize privatisa-tion possibilities, the eventual heads of denationalised companies will be a matter for their new sharebolders. Mr Jean-Marc Vernes, the

veteran financier and industrialist who is an ally of Mr Chirac, and was ousted from his loss-making family hank, Banque Vernes, after nationali-sation in 1982, pointedly says that the new chairmen will be "interim" appointments. Mr Vernes, chairman of the

Beghin Say sngar company now controlled by Ferruzzi of Italy, says he aims, in league with other institutions, to bid for both Snez and the Groupe des Assurances Nationales insurance company.

Mr Peyrelevade says uncertainties are starting to un-settle planning at Suez. But as a member of Mr Mauroy's team handling the nationalisation process five years ago, he sees the problem from the other side too. Then he had a big hand in unsettling the former potrons of groups taken

David Marsh

profits

From Mr C. Cattell Sir,—It was pleasing to read William Dawkins' report (June 16) concerning Mr John Smith's proposals 10 permit workers co-operatives to reinvest profits free of corporation tax. The Labour Party spokesman on trade and industry was high-lighting the fact that workers' co-operatives auffer from a number of tax disincentives. In this context, Mr Smith's words are an appreciation of the argu ments put forward by the Indus-trial Common Ownership Move-ment in its taxation submission to the Chancellor of the Ex chequer earlier this year: argu-ments which have also found favour with the Alliance Parties.

farour with the Alliance Parties. Unfortunately, the Govern-ment's stance would seem to be trat workers' co-operatives should abandon their principles in order to qualify for current fiscal incentives. This strikes us as a somewhat negative approach to a small but grow-ing sector of the economy, and approach to a small out grow-ing sector of the economy, and one which—by virtue of these principles — offers employment which is stable and locally hased, and provides new oppor-tunities to many unemployed

people. Your correspondent also reported that workers' co-opera-tives cannot raise share capital on the open market hecause equity may only be beld by members of the co-operative, and that this is a rule "imposed"

by ICOM. This statement is misleading in two respects. The overwhelming majority of workers' co-operatives formed since the passing of the Indussince the passing of the indus-trial Common Ownership Act in 1976 have no equity capital at all. New registrations of workers' co-operatives are pass-ing through the ICOM office at a current rate of around 17 per month, of which 97 per cent are prejetering as companies per month, of which of per crim are registering as companies limited by guarantee. Assets are held collectively by the co-operative and not by individual members (hence "common

are nell collectives of individual operative and not by individual members (hence "common ownership"). This structure is not imposed on co-operatives hy ICOM; ICOM is primarily a voluniary association of workers' co-operatives and its policies reflect the views of its members. There are good reasons why the common ownership model is preferred. Many of the new workers' co-operatives are being formed by unemployed people who do not have the financial resources to invest in their husi-ness. If money were placed as equity, one could soon have the situation where control of the enterprise was in the hands of ourside shareholders rather than the members. Financing hy loans affirms the co-operative principle of a limited return principle of a limited return on capital. The growth in value of equity ahareboldings out of proportion to the return to the principle of a limited return on capital. The growth in value of equity ahareboldings out of proportion to the return to the employees of a workers' co-operative would be in hreach of

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Letters to the Editor

not stem from greedy and in-efficient airlines; they stem from higher costs and the reluctance of many European co-operative principles. Inevitably at can be argued that workers' co-openatives are making things difficult for themselves by presenting to potential providers of finance a Governments to countenance a genuinely competitive environbalance sheet which is loan-heavy because of the absence of share capital. The experi-ence of many workers' coment in which airlines enjoy both the motive and the opportunity to raise their efficiency. Wherever such an environoperatives however is that with a sound business plan they can succeed. Certainly the track record of Industrial Common ment exists, British Airways has demonstrated both the will and the capacity to thrive. It seems a little bard to be accused, in effect, of monopoly ownership Finance (ICOF), the national revolving loan fund, indicates that workers' co-opera-tives present a better opporpricing in the very field where we are probably trying barder than any other carrier to entunity for a safe return on capital than other comparable small businesses. Nevertheless, in an attempt courage the kind of competitive environment that Mr Lucking

advocates. Advocates. On the Issue of productivity, let me simply remind Mr Lucking of the facts. Since 1979-80, our average staff numbers have fallen from over to remove problems in securing finance, ICOM has put forward proposals to provide the same tax relief for investors in loan 56,000 to under 39,000. In that same period, our productivity, measured in available tonne kilometres per employee, has stock as for investors in shares -subject, of course, to the principle of a limited return on capital. The co-operative movemen risen by over 60 per cent. Colin Marshall.

The co-operative movement has always considered that the creation of weath should achieve more than just the furtherance of personal gam. It is thus appropriate that an Opposition spokesman on made and industry should support proposals which will provide financial incentives for invest-ments which will lead be more P.O. Boz 10, Heathrow Airport, Hounslow, Middlesez. Unleaded petrol From the Chairman, Compaign for Lead-Free Air ments which will lead to more stable and satisfying employ-Sir,-Your article on un-leaded petrol (June 24) con-tained two statements which require further comment. ment, rather than those which will merely make money for the investor-which would seem to

investor-which would seem to be the aim of the Government's own personal equity proposals Charite Cattell, Industrial Common Ownership Movement, require further comment. Britain has not committed ltself to adopting the EEC vehicle emissions directive. Despite the recommendations of the House of Lords select com-7-8 The Corn Exchange, Leeds

European air fares

From the Chief Executive, British Airways.

Sir,—Mr Lucking's contention (June 26) that recent British Alrways profits have flowed from high European fares is easily tested. In the 1985-86 vehicles are concerned (1.4 to 2 litres) the emissions are less stringent, and could be met by leanburn engines fitted with oxidation catalysts. Again, how-ever, the British Governmeot has refused to give any under-taking that this part of the directive will be implemented The only part of the directive which will definitely be imple-mented will be the requirement of new cars to run on unleaded petrol from specified dates (1989 for new models, 1990 for new cars). financial year, the overall operating profit ratio on our European routes was significantly lower than on onr Atlantic routes. Over the five years from 1981, the average figures were much the same. We earned nearly twice the profit per pound of revenue in the highly competi-tive low-fart Atlantic market

porters. hich demonstrate porters, which demonstrates that over 40 per cent of new cars can now use lead-free petrol. By 1987, the figure will have risen to 70 per cent, and by 1989/90 virtually all new cars will be designed to use unleaded fuel.

a substantial market for this product which could be fully exploited if the Chancellor would fulfil the undertaking made in his Budget speech this year to introduce financial incentive to encourage the use of unleaded petrol. (Dr) Robin Russell Jones, 3 Endsleigh Street WC1.

Pay levels in South Africa

from the Executive Secretary Ethical Investment Research und Information Service Sir — Patrick Gillam (June 20) states that your report "UK companies pay South African blacks below target " misre-presented the facts when it quoted British Petroleum as

paying only R198 to its lowest paid employees in South Africa, in comparison to the EEC target of around R525. In making such an accusa-tion, I would suggest that Mr Gillam places too much emphachiam places too much empha-sis on what is acceptable, or current practice, in South Africa, and not enough on what the EEC code of conduct for companies with interests in South Africa actually says.

For example, he claims that the value of food and accom-modation supplied to employees at the Elkeboom colliery should be added to the figure of R198. The British Govern-ment's reporting format on the ment's reporting format, on the other hand, is quite specific that, in stating minimum wages, companies should ex-clude any such benefits in kind, although it does invite them to list them separately if

they so wish. Moreover, the British Govern-Moreover, the British Govern-ment goes on to ask companies to compare their mioimum wages with subsistence levels for families of average size. BP makes use, instead, of levels calculated for married men living in hostels, which are very significantly lower. The University of South Africa may recognise this practice, in the sense that it calculates the subsistence levels in question, but there is no support for it mittee on the European com-munities (environment), the UK Government has thus far refused to accept three-way catalytic converters for vehicles with engine capacities greater than 2 litres. As far as medium-sized vehicles are concerned (1.4 to but there is no support for it anywhere in the EEC code, or in the British Government's

In the British Government's explanatory guidance to com-panies on the subject. Mr Gillam would seem to he wrong, therefore, to imply that BP has the support of the British Governmant for its approach to minimum pay in Couth Africe and wrong also South Africa, and wrong also to imply that BP meets the EEG code's minimum standards. Peter Webster.

9 Poland Street, W1.

YESTERDAY'S ANSWERS TO THE FLEET PROBLEM WERE FINE-YESTERDAY.

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histories). <u>VEHICLES AND MAINTENANCE</u> --<u>ATA FIXED, ALL-IN COST</u> With Dial, you can avoid capital outlay -- Dial fleet contract hire is on a fixed-price basis, to

emove the effects of increasing cos Payments can be arranged in the form of set, monthly amounts, agreed in advance and fixed and unvarying for each vehicle's entire contract period. Because costs are fixed, they remain

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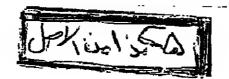
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Monday June 30 1986

FINANCIAL TIMES

JARUZELSKI TELLS OF PLAN TO FREE SOME POLITICAL PRISONERS

on Wall Street Surprising

Terry Byland

rise from tobaccos THE PAST fortnight has seen US fund and institutional investment

managers toning up their portfolios for the end of the half year - trimming out the losers, where possible, and making sure that their trustees will find plenty of winners in the stock list.

With the stock market bumping against new highs once again, this 1,700 delegates. may not be as easy as it sounds. The Standard & Poor's 500 index has risen by just less than 18 per cent since January, and although many sectors have comfortably outperformed the index, these were not necessarily the ones at the top of Wall Street shopping lists at

Christmas 1985. Who would have expected stocks in the toy industry, no more than a bandful in total, to bave gained 42 per cent despite the old argument that most products are sold in the final two months of the year? Even this put toy stocks only 10th out of 68 industry groups tracked by Stan-

dard & Poor's. On the other hand, it is not too difficult to pick out the sectors which underperformed, Domestic oil companies, oil well equipment and services and offshore drilling, all continued to fall, registering double-digit percentage losses for

the half year. Gold issues, worried by the grow-ing threat to the assets and exis-tence of the mines in South Africa, but not compensated by any recovery in the bullion prices, showed losses of nearly 20 per cent. Steel is-sues remained weak as the industry continued to restructure itself.

continued to	restructure itsen	-	charge of policy analysis, said com-
Company RJR Nabisco PH Monis US Tobacco	% above yr low 120 106 <i>4</i> 9	p/a 15 14 13	tries did not have "too long a brea- thing space" in making decisions on new electricity generating capacity likely to be needed after 1994-95. The recommendation that gov-

But a dip of 4.1 per cent in electronics stocks, subdivided into semiconductors and component manufacturers, provided a sharp reminder of the uncertainty still hanging over the high-technology industry. An upturn in orders, together with an agreement on Japa-nese imports, still hold the key to the outlook for semiconductors.

BY CHRISTOPHER BOBINSKI IN WARSAW THE POLISH authorities are pre-pared to free some political prison-ers because of the waning influence move is believed to be aimed at imof Solidarity, the outlawed trade proving relations with the West union, General Wojciech Jaruzelski, The number of political detained The number of political detainees the country's leader, said yesterday. reached 300 after a spate of arrests The amnesty proposal was in-in the past few weeks after the de-cluded in a four-hour speech tention of Mr Zbigniew Bujak, the opening the first Communist Party underground Solidarity leader, on Congress held since the 1981 crack- May 31.

BY DAVID MARSH IN PARIS

WESTERN governments will be

forced to increase reliance in the 1990s on oil and gas for electricity

generation unless they take prompt decisions to build new ouclear or coal-fired power stations, according

to the Paris-based International En-

Presenting the 21-nation organi-

sation's annual report on energy programmes in member countries, Mr David Jones, the IEA official in

ergy Agency (IEA).

IEA report.

down on Solidarity. The party lead-manwhile, yesterday, some er ranged over every aspect of the 30,000 people in the western Polish country's social, economic and polit-ical life in his address to more than service to commemorate the workers' demonstrations in 1956, which The presence of Mr Mikhail spurred the anti-Stalinist liberalisa-Gorbachev, the Soviet leader, at the tion in that year. Police later pre-

five-day meeting was being re-garded as a mark of personal ap-proval of Gen Jaruzelski's efforts to to a local monument. rescue the Polish party from col-On the economy, Gen Jaruzelski lapse and rebuild its influence. gave a boost to critics of the failure

lapse and rebuild its imittence. gave The Polish leader told the del- to in egates that "anti-state groups," by b meaning Solidarity, were increas- chan ingly isolated and that this meant up." to implement economic reforms ful-ly by repeating their call for the changes to be "radically speeded

In the run-up to the Polish Con-gress, various professional groups criticised the Government for fail-tion was made in a letter that Mr ing to plan for a decisive effort aimed at levelling supply and de-mand and thus making producers

responsive to market forces. The Government, for its part, has argued that its more cautious ap-proach, leaving rationing in place, avoids the risk of social unrest induced by rising prices. But yester-day Gen Jaruzelski said: "Either we reach equilibrium more quickly by decisively cutting subsidies and rationalising prices, thus achieving higher growth, or we stay with shortages in the shops and less chance of growth. The congress will

• Reginald Dale in Washington writes: Mr Gorbachev has told President Ronald Reagan that he is willing to reach a compromise on re- an interim agreement that would during intermediate-range missiles, reduce rather than eliminate the the US ground-launched cruise and missiles for the time being.

agan received last Monday, the New York Times reported. Although Mr Gorbachev gave no details of a possible compromise, US officials describe his offer as "practical" and "positive." There was speculation that it might involve a formula under which some

of the missiles on both sides might remain in Europe, with compensa-tion for the US in exchange for Soviet SS 20s in Asia, a proposa which could be similar to an earlier US plan.

The US has proposed the com-plete abolition of the missiles on both sides. But Mr Reagan and Mr Gorbachev agreed at their Geneva summit last November to work for

Optimistic

The remarkable fact is that Dixons has shown itself willing to pay more than £8 a share for Wool-worth, 3% years after it was refloated at an optimistic-looking 75p. And everyone knows that Dixons is not offering more than twice Wool-worth's frequently revalued assets as the premium price for a prem-ium business. The offer has consist-ently been based on the argument that Woolworth's High Street retailing business is as moribund as ever and that the space could be better

used by Dixons. The difficulties of making a judgment on this claim have weighed heavily on the core group of institu-tions who put in the Woolworth management in 1982 or have since bought large lumps of stock from the original backers. As a legacy of the consortium bid which bought Woolworth from its US parent, an

unusually small oumber of funds still control the destiny of the company: effectively the question is being put to about half a dozen inves tors. Some of those may find it har-der than usual to assess the tradenew round of talks is due to be der than usual to assess the trade-launched by trade ministers at a off between the fiduciary duty to

Vita 21st CENTURY MATERIALS AND TECHNOLOGY T-O-D-A-Y BRITISH VITA PLC

THE LEX COLUMN Summer lightning at Woolworth

NUMBER OF STREET, SALES AND STREET, ST

As the Woolworth blimp circles above the City of London, the tussle for control of the company has been fought more privately than would have seemed possible only three months ago. In a bid that is essen-tially a debate about retailing skills, bid-related advertising has been off-limits. Instead, the battle has been lost or won in face-to-face reinvest it more profitably out of town in Comet and B&Q. entations to institutional investors. The future of Woolworth may

Loyalty and gratitude can only be part of the story. The central ques-tion of Woolworth is, as ever, what have been decided by such appar ently irrelevant minutiae as the to do with the main retail chain, other than liquidate the underlying course of the River Ouse, which would seemingly prevent the deliv-ery of refrigerators - or pie'n mix confectionery, for that matter - by flowing past the back of Wool-worth's store in York. property investment. Only with the comparatively disappointing fig-ures that were published this spring did Woolworth bring forward a merchandising formula - known as Operation Focus - that could pre-

tend to offer a strategy to recapture a defensible position in the High Street Although Operation Focus looks nice enough at Woolworth's model store in the Edgware Road in Lon-don, it is apparently not thought capable of succeeding in Holborn,

opposite that major shareholder the Fru: the Holborn store has actually been closed during the bid defence. It is Dimons' criticism of Focus - one choed by retailing analysts - that although the merchandise may have improved, and the average sale may rise by a few pounds, the strategy does not make Woolworth a store that is the obvious place to go for the varied items that it sells. and Farker pens, nghouns and lime-green zips, even the focused Woolworth lacks the strong mer-chandising identity (like that of Marks and Spencer with food and clothing) which is generally be-

lieved necessary to pull the shop- Dinosaurs pers in.

Ramrod

Non-IEA member France, with the most ambitious nuclear pro-gramme in the West, is not included in the statistics. Mr Jones said IEA countries at generating capacity although inost was in older oil-fired and gas-fired alarts.

has reported its improving profits, cent resites to larger stores, it there is no reasonable quarrel with would be cramming five years' the overall trend. By taking a grip growth into the next three. If it on Woolworth's working capital – could also establish competitive previously immeasured as well as uncontrolled – and reforming some automatic previously immeasured as well as incontrolled - and reforming some induct, personal call a phraster and luggage, it might also succeed tices, it has been possible to take a lot of cash out of the business, to reinvest it more profitably out of Wootworth chain.

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Those are big assumptions. Wool-worth has argued that the high fixed costs of occupying the Woolworth space would cripple the Dixons electricals operation and might drive the combined whole into loss if there were a cyclical drop in demand: Itself based on some dubious premises, this criticism rather lapses into financial scaremongering: Dixons can reasonably be trusted to look after its own expansion, But it must be recognised that the remerchandising of Woolworths by Dixons is an even more untested quantity than the programme that is going on at present.

The net result is probably that acceptance of the Dixons proposal carries greater potential rewards, accompanied by somewhat higher risks, than allowing Operation Focus to run its course.

When it comes down to it, the hig shareholders in Woolworth have made too much money since 1982 to worry about the disappearance of s bid premium now, and they can see that there is still a high gearing to recovery if Operation Focus. suc ceeds. To retain that exposure and Beaten on price for compact discs still keep an undiluted state in the and Parker pens, lightbulbs and dynamic and successful Dixons preserving two independent chances of outperforming the market - will probably seem the wisest

Like Distillers, the old Woolworth company was a corporate dinosanr waiting for extinction by takeover.

Alternative IEA calls for early decisions on expanding nuclear power in total IEA energy consumption

squeeze on energy supplies in the early 1990s rather than later in the decade as had earlier been thought, Mr Jones said. The report projects that oil im-ports into the 21-nation area - all the members of the Organisation. for Economic Co-operation and De-velopment (OECD) minus France, Iceland and Yugoslavia - will in-crease to more than 20m barrels a

day in 2000 from last year's level of This projection could be exceeded in the light of improved growth prospects caused by the latest downturn in oil prices, Mr Jones said. Most of the additional imports

thing space" in making decisions on new electricity generating capacity likely to be needed after 1994-95. The recommendation that gov-ernments should start planning now for a possible tightening of the by the end of the century would come from the Middle East. energy market in the 1990s, in spite The report was drawn up on the basis of oil prices of more than \$20 of the present slump in the oil price, forms the principal message of the

a barrel in the period to 1990, an assumption which has been chal-

The report voices concern that lenged by this year's fall in average sustained low oil prices could damp-IEA import prices to around \$18 to en countries' willingness to make \$19 in the first few months of the year, and by the much greater drop re progress in conserving energy, replacing oil by other fuels and in spot prices. inting on the impact of the developing new sources of energy. Chernobyl accident, Mr Jones said a certain amount of the extra 60,000 Mr Jones said that the fresh fall in oil prices since the report was MW of nuclear generating capacity finalised at the end of last year made the IEA's warning more

proposed to Baker in that is a energy consumption is expected to grow from about 16 per cent at present to 19 per cent in 2000, Based on assumed economic growth in the OECD of 3 per cent a year up to 1990 and 2.7 per cent afdebt plan By William Duliforce in Zurich A DEBT RELIEF plan that would terwards, IEA countries' primary provide the world's most heavily in-

energy requirements up to the end debted countries with reduced in-terest rates, some debt write-down and new lending was put forward yesterday by Senator Bill Bradley, a contender for the Democrat nomiof the century are seen as increas ing by nearly 2 per cent animaliy. This would increase the total to 4.5bn tons of oil equivalent in 2000, 29 per cent higher than the figure of 3.5hn for 1985. nation in the next US presidential Senator Bradley proposed that the US President convene a trade relief summit annually during the first three years of the coming in-

About half the additional \$5,000 MW of nuclear capacity in 2000 -the difference between projected capacity and that already in operation or under construction - is concentrated in Japan.

Non-IEA member France, with the most ambitious nuclear pro-gramme in the West, is not included

This spare capacity would be

tumn 1987 could be the most favou-

To fulfil the aim of completing

pared down slightly, possibly by two or three big bills. On present plans, the main bills

• Water privatisation - to permit

the piecemeal sale of 10 water au-

thorities and a new licensing sys-

Criminal justice - an omnibus

measure ranging from prison sen-tences to the conduct of fraud trials.

Intellectual property rights - up-dating copyright law and including

the protection of the design of spare parts and a levy on blank audio

Scottish local government fi-

nance - the replacement of domes-tic rates (property taxes) by a com-

munity charge levy on every adult (a forerunner to a post-election bill

being considered. These include a primary health car bill, fire safety

at sports grounds, consumer protec-

tion and housing management.

for England and Wales).

A number of other me

rable date for the Tories.

Poland considers partial amnesty

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So much for the losers. But the list of winners has its surprises, too. Heading the list and outperforming all other groups with a gain of 62.7 per cent are the tobacco stocks, which six months ago seemed threatened with disaster as health liability suits proliferated.

The rebound in the stocks reflects two separate factors. The can-cer liability suits have not yet proved the industry's undoing and the tobacco companies have contin-ued, with great success, to diversify.

R.J.R. Nabisco has undergone a re-rating in the market since its ac-quisition of Nabisco Brands. Ma Jennifer Coury, of E. F. Hutton, be-lieves the Nabisco deal will prove "only the first of a number of perti-nent and sizable additions to R.J.R.'s family." This would shift

the group's centre of balance significantly, with the non-tobacco share of earnings likely to rise strongly from its present level of 34 per cent

At the same time, profitability on the basic tobacco bu siness is growing rapidly as price rises are backed by increasing efficiency in manu-facturing. Industry operating markets are around 20 per cent now and only a disastrous turn in prod-uct liability suits could undermine the near-term future.

Much the same cen be said for Philip Morris, which remains more heavily tobacco-orieoted than R.J.R. but which struck out boldly with its acquisition of General Foods.

Morris has another advantage since, despite the federal Govern ment's opposition to its planne sale of Seven-Up to PepsiCo, the board still iotends to sell the soft drinks company. Seven-Up is believed to be still a minor loss but its sale could put around \$500m in Morris' balancesheet.

With all these prospects ahead the fact remains that buyers of tobacco shares have been betting heavily on the bealth liability question. Wall Street turned bullish on the tobacco major in March when the US appeals court ruled that Philip Morris was not required to make its internal files available to liability plaintiffs.

There are still about 60 health liabilily cases pending, and it would be a serious setback for the indus-Adinets Baltzin Bargink Baitoth Bellynda Bellynda Bellynda Bellynda Berlen Starvin Burdencz B try and the stock prices should one of these cases be found against a tobacco manufacturer

But Wall Street's confidence was boosted again last week when a federal jury freed US Tobacco from liahility for the cancer death of a 19year-old snuff-taker. US Tobacco makes "smokeless tobacco" - snuff or chewing tobacco. But the court's decision sent R.J.R. Nabisco and

Morris ahead strongly. The strength of tobacco stocks over the first half of the year indicates that the share analysts believe that legal threats are now greatly diminished.

The boost to economic prospects from cheaper oil, and a likely acceleration of IEA countries' oil imports, could lead to a renewed

Opec studies

new output

sharing plan

Continued from Page 1

They are considered by those

agreeing to the new ceiling agree-ment as not only compatible with

worldwide consumption but also with restoring oil prices to a range of \$17 to \$19 barrel by the end of the

Algeria, Libya and Iran remained

insistent that the limit should be as low as 14 to 14.5m b/d so as to force prices up to \$28 as fast as possible.

Gabon's position was unclear, but at one point towards the end of last week it appeared to have joined the

With the three major dissenters

committed to lower rates of output

non-participation by them would not necessarily make a new pact under a 17.9m b/d limit ineffective,

majority delegates said. Sheikh Ahmed Zaki Yamani, the Saudi

Arabien Oil Minister, suggested that the majority could set quotas

for the minority even if they were

Iran, however, has continued to

threaten to produce an extra two

barrels for every one conceded to

Iraq under any accord. In practice,

t would probably be physically con-

Dahryonik Edminuph Fara Prances Francinal Granne Galanter Galanter Battyne Battyne Battyne Battyne Istanter Johan Johan Johan Johan Johan Linga Linga

Operto Cale Paris Paris Paris Regiment Regiment

not party to the pact.

strained from doing

Canada Calego Calego Carlo Carlo Data Sata

minority.

because of increased worries in the West over safety.

Under the main assumptions in the report, the share of electricity he said.

lative programme announced in the Queen's Speech to parliament this November will be lighter than in

sible general election in autumn

The legislative committee of the

ing on the assumption that all the proposed hills should become law

by the end of July next year, with-

out the usual spillover session in October when the House of Lords

and House of Commons sit for two

or three weeks to complete busi-

The aim is to clear the decks by

the beginning of the summer recess

1987 to leave open all the options on

election timing. Conservative Central Office is

preparing to be ready for an elec-tion at any time from late spring

next year onwards. The election can be called by the Government

when it wishes up to the final legal

limit in two years' time. Within this period Mr Margaret Thatcher, the Prime Minister, and

ber close advisers still have an open

mind on the state of the economy

and of the opinion polls. But a num-

987.

expected to be built in the IEA countries up to 2000 was now at risk Mr Jones said. The projected increases in electri-city demand could not be met by re-

UK Cabinet to prepare

THE BRITISH Government's legis- ber of ministers now believe au-

the past three years specifically to the part sension's business by July provide room for manocuvre for a 1987, the programme is having to be

Conservative Cabinet is now work- in the 1988-87 session will be con-

cerned with:

the p

way for early election

BY PETER RIDDELL, POLITICAL EDITOR, IN LONDON

used up progressively - perhaps by the early 1990s - putting the onus on governments to set in motion Senator Bradley announced his plan at a conference in Zurich of se-nior economic policy officials and ong-term projects for new plants. parliamentarians. The plan is an alternative to that

newable resources or conservation

already launched by Mr James Baker, the US treasury Secretary, which calls on commercial banks to provide \$20bn and international agencies \$9bn in new lending to 15 in

new trade round.

tebted countries. The Baker plan would prolon, the policies that created the debt crisis in the first place, Senator Bradley said. By emphasising new loans instead of interest rate and debt relief, it created more debt and would increase the already precar-ious exposure of creditor banks to a ossible default

ternational trade negotiations. The

Under Senator Bradley's pla creditors would negotiate annual relief packages with elegible indebted countries at summits chaired by the president of the World Bank Large and small banks as well as governments would participate.

Senator Bradley's suggested coals for the annual relief packages to be offered should be:

 Three percentage points off inter est rates for one year on all out-standing commercial and bilateral

• A 3 per cent write-down and write off of principal on outstand-ing commercial and bilateral loans. • \$3hn of new multilateral project and structural adjustment loans an nually.

To be eligible for debt relief de veloping countries would have to agree to liberalise trade, take mea sures to reverse capital flight and encourage internal investment.

They would also have to pursue policies of economic growth which enjoyed hroad domestic political support and keep debt management free from scandal.

Exchange rate volatility, Page 3

om for quibbling about were to get the returns on the en- the institutional support. But can the succession of changes in the ac-counting basis on which Woolworth rys stores that it has enjoyed in re- at Woolworth?



Cossiga opens crisis talks World Weather **Continued** from Page 1 authority in a reformed administra- his replacement by a member of Histor History History Malanta Nedati Nedati History H No de Jo Nove Sebberg Seo Franc Mr Craxi on Friday turned down pleas from some of his coalition partners to ignore the defeat.

System Sydney Taggier Tal Anit Taggier Talanti Talge Pargete Tauis Uniter Heran Warson Warson Should Mr Crazi fail to get back on his own terms, the theory goes, the Socialists could refuse to co-operate with a new Christian Democrat-led government. They might calculate that this could work to their advantage in electoral terms.

The alternative explanation of Thursday's defeat is that Christian Democrats, boosted by their suc- ment and seek a new vote of conficess in regional elections in Sicily dence. But it is perhaps more likely last weekend, were trying to force that he will ask Mr Craxi to try to

President Cossigs, who reserved his position when Mr Craxi presented his resignation of Friday, will today meet former presidents of the republic, as is the custom, to ask their advice on the crisis. Tomorrow he will receive leaders of all the po-

On Wednesday, therefore, he should be in a position to make a

decision. It is possible that he will ask Mr Craxi to go before parlia-Mr Craxi out of office to speed up form a new administration.

their own party.

litical parties.

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Canada

An investment today in gold should be considered as e form of insurance. Just as a ceotral bank's reserve of pure gold (995 or purer)

insures the wealth of e netion, pure gold can insure your financial security and independence in the future. An insurance policy, however, is only as good es what or who stands behind it. Therefore, wheo insuring your wealth, you should consider the advantages of Gold Maple Leaf coins from Canada.

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Ber Royal Canadian

den run on the Canadian dollar which sent the currency plung- light 1 ing from 73 US cents in US Con October to a record low of just Rudma over 69 US cents in early balance February, when massive inler-ing from 73 US cents in early balance february, when massive inler-vention by Ottawa balted the Interslide. Although the steepness of the

decline was widely blamed on enrency specifiators in Chicago, the Canadian dollar's wextness reflected concern at the Federal Government's big budget deficit (equal to more than 6 per ceni of gross national pro-duct) and the effect of weak oil and commodity prices on a resource-based economy.

Since then there have been other signs that the recovery may be running out of steam. Private sector investment—ear-lier expected to be one of the main motors of growth in 1988 and 1987—has been disappoint-forty work While horizons. ingly weak. While business investment grow by 8.5 per cent in real terms last year the rate is expected to show to around 3 per cent this year.

Interest rates are still high in real terms and the mood of large sections of Canadian business is dampened by beavy debt burdens. Mr Leo de Bever, head of Chase Econometrics Canada, says that "2 lot of industries tend to be very riskaverse,"

The country's economy's strength is now based mainly on consumer spending and new housing, though some early warning signals are flashing on

economy and a bottoming-out in North American interest rates also do not angur well for Canada. Exports to the US contribute about 20 per cent of Canada's Gross National Product (GNP).

Canada's real GNP growth rate will slow from 5.6 per cent in the second half of last year— the highest of any industrial country—to 3 per cent between June and December this year. Growth in household spending will slip from 6.7 per cent to 2 per cent as the latest round are of tax increases takes its follow and Growth is expected to quicken

Financial Times Monday June 30 1986

CANADA 2

The economy

Recovery begins to falter

Canada's yawning Budget deficit was thrust into the lime-light late last year when the US Congress passed the Gramm-Rudman Act, requiring a balanced budget in the US by

Interest rates in Canada are traditionally between 1 and 2 percentage points higher than US rates, reflecting Ottawa's proportionally higger debt hurproportionally nigger detribut-den and the disadvantages of a resource-based economy. The gap widened to almost 5 per-centage points last January as the Bank of Canada brought ebout an increase in domestic rates to break the fall of the Canada fall of the Canadian dollar.

Business investment is expected to slow from 8.5 per cent last year to 3 per cent this year. Interest rates are still too high in real terms and many price. companies are carrying heavy debt burdens.

Mr Michael Wilson, the The lower the price falls the Federal Finance Minister, drew greater those costs become. Federal Finance minister, urew some of the sting from the deficit issue in his February 1986 Budget, which projected the first decline in 20 years in Federal Covernment spend-ing and e narrowing of the Budget deficit from C\$33.8bn in the year to March 31 1986 to C\$29.8bn in the present

fiscal year. The Budget's revenue projections, based on an everage oil price of US\$22.50 a barrel in the year to March 1987, were over-optimistic. But Mr Wilson says he may tighten Govern-mant spending further later this wear a barrel. YEAT.

a Darrel. Canada is a oet energy exporter. The fall in oil prices has thus contributed to a nerrowing in the merchandise trade surplus from an annualised C\$16bn in the last three mooths of 1985 to C\$9.6bo in the first quarter of this year. Superts differ on the likely impact of the oil price slump on the Canadian economy. The majority view for the moment The overall terms of trade

Canadian

Dollar

US Dolla

SHADOWS ARE starting to again slightly from next appears to be that Canada will have been worsening since the end of 1983. The current account enjoy a net benefit. four-year economic recovery. prices spur new business in provinces of Alberta and Saskat which was at record levels in provinces of Alberta and Saskat which was at record levels in the uniter was a sud- Canada's yawning Budget there for suppliers to the energy war. Bank of Nova Scotia fore.

WINDOWS COMES SAULTER ATT

tions for suppliers to the energy tions for suppliers to the energy industry, and lower tax pay-ments by oil and gas producers should be more than offset, so this argument goes, by the stimulus given to energy-con-suming industries in Ontario and Quebec province. Even the immediate impact on western Canada will be casts that the deficit will more than double to CS6.8bn this year bul will narrow next year as import demand weakens, in the longer term, low energy prices raise the spectre

of rising oil imports as local demand increases but produc-Even the immediete impact on western Canada will be softeoed by beevier deficit spending by provincial govern-meots. Alberta, the only pro-vince in Canada with a Triple-A credit rating, is expected to make its first foray inm offshore capital markets later this year. But the oil price plunge has some significant costs for the Canadian economy as a whole. Western tion in Canada declines The drop io oil prices has not yet hed as dramatic an impact on inflation in Canada as it has in some other countries. Re-

in some other countries. Re-finers have widened their profi-margins, passing only some of the benefit of lower raw material costs oo to consumers; and the decline in the Canadian and the decine in the cantulan dollar, a hiccup in ioterest rates earlier this year, higher sales taxes and e jump in housing costs have for the time being offset the benefits of lower oil

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Consumer prices are cur-reoly rising at an annualised rate of 4 per ceot, little changed over the past yeer. While the economy may have scope for further growth with-out any serious risk of unleach-ing inflationary pressures, Canada's inflation rate is now well above the US rate. That has reinforced a widespread view that, without official inter-vention, the outlook for the Canadian dollar remains bearish. The upstream oil and gas The upstream oil and gas industry accounts for more than 10 per cent of total capital investmeet. Chase Econometrics estimales that, at an average oil price of US\$17 a barrel, oil and gas companies will cut their spending from C\$9bn last yeer to C\$5bn in 1987. Chase predicts a further 20 per cent cut if the price drops to US\$12 a barrel. bearish.

Sioce Ottaws's determined Sioce Ottawa's determined intervention io the foreign ex-change market last February, backed hy a C31bn foreign bond issue and drawings oo standby credit lines, the Cana-dian dollar has briefly climbed above 73 US cents. But it has begun to slip again in recent months. months.

months. Pessimists forecast that the Canedian dollar may drop to 68 ceots by mid-1987. Mr Lloyd Atkinson, Bank of Montreal's chief economist, predicts that political pressures to hold down domestic interest costs in the face of rebounding US rates will be another factor depress-ing the Canadian dollar later this year. The Bank of Canada has been

The Bank of Canada has been concerned in the past about the inflationary consequences of a charper dollar. Ottawa's present priority appears to be to moder-ate any decline. According to Mr de Bever at Chase Econo-metrics, "the central bank is unlikely to use interest rates for any prolonged pendod to pro-tect the exchange rate."

Bernard Simon

warning signals are flashing on these froms too. Housing starts fell from an annualised 204,000 units in April (seasonally adjusted) to 190,000 in May. Tax increases announced in the Federal Government's February 1985. Budget are expected to squeeze household spending in the coming months. Any signs of a faltering US

Any signs of a faltering US According to the OECD, Canada's real GNP growth rate

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Investment

External Affairs Affaires extérieures

THE AGENCY Investment Canada, just one-year-old, has gone a long way towards con-vincing foreign investors that the late and unlamented Foreign investment. Review Agency is dead and that Canada is, once again, in one of Prime phrases, "open for business." The new body won support The new body won support The new body won support from the provinces and the private sector for major pre-sentations in Europe and Asia this year. It has had encourage ing responses from many Germany and Japan, says Mr AGENCY Investment of individual foreign investors, is not rejected within 45 days to Gulf and Western Industries is, just one-year-old, has FIRA came into being in 1974. The more relaxed policy has of the US Gulf and Western THE countries, including West Germany and Japan, says Mr Paul Labbe, IC's president The change in policy which it several large foreigo-backed kedly in the aftermath of the projects, but its impact on investment flows is not yret clear. recession and the Trudeau investment flows is not yret clear. recession and the Trudeau investment flows is not yret clear. recession and the Trudeau investment flows is not yret clear. Allied-Lyons and the Reich mann brothers, who own Hirzan over the deal. If Allied-Lyons prover the deal. If Allied-Lyons Allied-Lyons and the Reich-many brothers, who own Hiram Walker, have begun litigation over the deal. If Allied-Lyons succeeds, it would have to submit the purchase to Invest-ment Canada payiew A Sual ment Canada review. A final decision might be made at Cabinet level. Cabinet level. Investment Canada was born on July 1 1985 after six months of bitter Parliamentary debate which cantred on charges that the new Maironey Government was ready to sell out Canada to foreign business interests. But once the Investment Canada Act was passed, and the new agency had replaced FIRA, the sniping ceased. Investment Canada's mandate .bsweiver. is to promote Canada "as a safe and profiteble place to invest." Its first usk was to change the belief abroad that Only sequisitions of Canadian Canadian investment rules were too restrictive. It has spread the word that foreign investment is welcome if it creates jobs, improves the country's technological base, incrosses exports and emislices review proces

Foreign investment

1984

Federal agency gets to work

86

of C\$250,000 or more, or for the creation of any new business in Canada.

in Canada. In all cases, foreign investors had to show that their proposals would provide "significant" benefit to Canada. The cabinet, which decided on all applica-tions no matter how small, was not bound to give reasons for its decisions. Investment Canada retains

review powers but in a much narrower and simpler form. Simple notification of proposals is sufficient, and most invest-ments by non-Canadian are not

businesses with assets of C\$35m or more are reviewable, as well as indirect acquisitions of Canadian businesses with assets of C\$50m or more stemming from changes in control of the perent company. The minister of regional industrial expansion

is now responsible. for the A proposal being reviewed must now merely show "net" benefit to Canada, meaning that

Some enceptions remain, in-cluding cultural industries such as book, magazine and news-paper publishing, film produc-tion, and distribution-and it must have a favourable im-pact on economic activity, allow participation by Canadians, help productivity, competitiveness, and access to markets but, not financial services, where other Federal or provincial laws impose specific ownership reduce competition. Mr Labbé says that the review

process has been reduced to about 35 days, except in special circumstances. With the excep-tion of investments in cultural Canada also works closely with the pro-vinces to spread investment across the couptry. It thies to match the economic edvantages sectors, a proposal is automatic-of each province with the needs ally deemed to be approved if it

ended a long-simmering feud of suba

3-month

Treasury

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Rate

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between Ottawa and Imasco, the tobacco, drugstore and infancial services group, 44 per cent-owned by BAT Industries of the UK. Imasco finality won official status as a Canadian company, enabling it to effect takeovers in Canada without review. The Liberal Government led The Liberal Government led by Mr Trudeau maintained that Imasco, though operated by Canadians, was not fully autooo-mous because of the BAT hold-ing. Under the old FIRA Act, its investments in Canada had to be watted

to he vetted.

Imasoo argued that it could no reinvest the profits of its large tobacco products business in Canada for the benefit of Canadians because the time taken for official review of any diversification move precluded an effective takeover bid. According to the company, the BAT investment was entirely

Canadian status allowed masco to buy Genstar Corporaimasco to buy Genstar Corpora-tion's services subsidiary, Canada Trust, earlier this year at e cost of around C\$1.6hn. Nonetheless, the Government this placed several restrictions on the deal to discourage Imasco from using Canada Trust to further the interests of its tohacco, drugstore and other businesses. Investment Canad escened

Investment Canad escaped embarrassment this apring over the sale of Prentice-Hall Canada



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of the US Gulf and Western took control of the Canadian subsidiery indirectly when it bought Prentice-Hall in the US in December 1984. After a year of fierce con-troversy, the Government came to grips with the case by allow-

ing the acquisition to go through on the grounds that it was made before e restrictive new policy on foreign owner-ship of book publishing com-panies was announced.

With foreign-controlled pub-lishers having well over 60 per cent of the Canadian educa-tional box market, the Gulf and Western Prentice-Hall case heightened concern about the future of Cauadian book pub-lishing and other oultural indus-

tries. Last July the Government announced a guideline to prewent foreign companies from buying a Canadian publishing company unless they give up control at fair market value

within two years. Protection of cultural indus-tries remains one of the most tries remains one of the most sensitive areas of foreign in-vestment and trade policy. Because of the eagerness of many US book and magazine publishers to expand their Canadian interests, rules for protecting the cultural indus-tries are likely to be one of the most delicate issues in the most delicate issues in the recently-begun free trate oegotiations with Washington.

R. G. Gibbens

CANADA 3

Federal politics



Mr Michael Wilson, Federal Finance Minister

Finance Minister shows his strength

Profile: Mr Michael Wilson proves himself as one of the main pillars of the Progressive Conser-vative Government in Ottawa

FINANCE is likely to be one of the few portfolios left un-touched by a major Federal cabinet shuffle expected later this summer

After a shaky start in the early days of the Tory Govern-ment, Mr Michael Wilson has become one of Mr Mulroney's most dependable ministers.

Helped hy a more assertive style and by the strong economy, Mr Wilson has man-aged to put behind him the

public acceptance of the much tougher Februery 1986 Budget, which included tax increases policies. and public spending cuts. Mr Wilson

With it some responsibilities." Lower oil revennes have skewed Government finances since the February budget, it has been to support the dollar more than offsetting the benefits of lower interest rates. Mr Wilson says that "we may

on spending is thus possible. on spending is thus possible. He says that the budget fore-cast of a 3.7 per cent real gross national product growth rate this year remains within reach, but he is concerned that the advance is not evenly spread. The surging Ontario economy—based on oil-consum-ing manufacturing inductor.

efforts to reverse some of the questionable policies pursued by the Liberals, who held office for 21 years with only a brief ing manufacturing industry-may creete labour and materials Tory break in 1979-80. Those who expected a Thatcher or Reagan-style revoshortages which could ripple through the entire country in the form of higher prices.

Inition from a Canadian Conser-vative Government were bound to be disappointed. Ideology plays little part in voters' loyalties, and governments in-variably find that the centre of "It seems crazy," he says, "that we have one part of the country doing extremely well, and because it's doing so well may cause problems that other parts are lass blas to course with "

ments

The Tories' sagging position in opinion polls is evidence that voters give the Mulroney Government little credit for its

parts are less able to cope with." Helped hy a more assertive style and by the strong economy, Mr Wilson has man-aged to put behind him the humiliation he suffered last year when he bowed to public end opposition pressure to with-draw budget proposals to de-index old age pensions. A strong public relations effort—including speeches to effort—including speeches to nova Scotia art gallery and high school teachers in New-foundland—enabled bim to win public acceptance of the much With this hackground, he has been one of the Mulroney Cabinet's strongest proponents of more market-oriented

and public spending cuts. Mr Wilson's stature was further boosted last May by canada's admission (with Italy) to the group of five, the in-formal and occasional meeting of finance ministers of leading industrial countries. The domestic political spin-offs of inclusion are significant. As Mr Wilson puts it: "People in Canada recognise that we forum of discussion with other finance ministers. That brings with it some responsibilities." Lower all revennes have Mr Wilson asserts that "we of granter external forces and toughen up the competitive position of Canadian Industry." He applies this philosophy to official exchange rate policy, to be a reflection of the concern that Ottawa has deliberately held the Canadian dollar down to improve "To the extent that we have Mr Wilson asserts that "we

Tories lose favour in polls

opposition

THE STORY of the Progressive the political stage is the safest Island. Conservative Government's first place to be. The Prime Minister and the Conservative Government's first two years in office was summed

Most Canadian politicians, and Mr Mulroney more than many others, make opinion polls the guiding star of their policies. in Prime Minister Brian kroney's extended trip in May to Japan, China and South to Japan, China and South Korea... While the Prime Minister was working hard to cement relations with three of Canada's key trading partners, his achievements were over-shadowed at home by a raging controversy over a relatively minor condictor interest allega-tion involving the Industry Minister, Mr Sinchair Stevens. A similar pattern has repeated itself several times since the

Despite these constraints, the Tories have gone some way towards tackling the country's towards tacking the country's most pressing economic and Social issues. In two areas — foreign investment and energy — the Muroney Government has largely dismantied the initionalistic controls put in place by the Liberals. expressed reservations about Ottawa's free trade talks with the US_ But his reservations have fallen short of outright A similar pattern has repeated itself several times since the Tories came to office in a land-slide election win in September 1984. The Government's mis-takes — many of which began as quite minor incidents — logmed larger than its achieve-ments. Barriers to foreign inve

ment have been significantly lowered. Oil prices have been deregulated, and a start has been made on loosening con-trols in the transport sector. Mr Muhroney has taken a con-siderable political risk by start-

ing free trade talks with Washington (a subject discussed in more detail elsewhere in this

in more docan ensewhere it and survey). The Tories have also begun gingerly to come to grips with a disconcertingly high budget deficit, eibeit by putting the emphasis on higher taxes rather than lower public spending. Mr Mulroney has so far kept

governments in Ontario, Quebec and Prince Edward

new Liberal premier of Québec,

The big Quebec caucus has stell proved unwieldy. A com-bination of experienced Mr Robert Bourassa, are moving towards delicate negotiations bination of experienced politicians and a large number aimed at putting Québec's signature to the 1982 Federal constitution. Success would of newcomers has presented problems ranging from demands for more Cabinet representation enhance the reputations of both inadequate constituency organisation. Another Liberal premier, Mr David Peterson of Ontario, has

At the same time, My Mulroney's apparent pre-occupation with his bome province -Quebec -demonstrated by favours such as Government subsidies to Montreal's petro-chemicals industry and new navigational equipment for re-mote airports has irritated caucus members from other parts of Canada,

On the liabilities side, the Government has lost four ministers. A fifth resigned but was later reinstated after the police dropped charges of over-spending in the 1984 campaign. It has suffered several humiliating chimodowns, leav-ing the impression that it is guided not by conviction or s was later reinstated after the parts of Canada. police dropped charges of over-spending in the 1984 campaign. It has suffered several humiliating chanodowns, leav-ing the impression that it is guided not by conviction or principle but by the pressures of opinion polls, media com-mant and lobby groups. Several of the five ministers Several of the five ministers two resigned — including Mr seture of canada. Mr Mulroney has blamed the proposals. The Government is now examining ways of reopening system of universal social pro-often blown up into major con-grammes. Last year's outcry of opinion polls, media com-might have evolded some set-backs by showing more astute-set in its short-term tactics two resigned — including Mr actions had been stourdy, de-fended by Mr Mutroney and tother Cabinet colleagues. The Tories have raised doubts about thek future electoral prospects by falling so far to prospects by falling so far to consolidate their support in Quebec, where they um-expectedly swept 59 of 75 con-tak and appeared that the free trade talks and stuck supported to the free trade talks and stuck set the debate on the expensive system of universal social pro-grammes. Last year's outcry over e proposal to de-index re-trement pensions forced It to start linking benefits to in-comes. The Tories can draw some confort from the disarray in which the Federal Liberals (the "Grits," as they are popularly known) find themselves. Their leader, Mr John Turner, who was Prime Minister for two months between the retirement of Mr Pierre Trudeau and the September 1984 election, bas Mr Mulroney has blamed the



Two North American leaders of Irish ancestry: President Reagan and Mr Brian Mulroney, Prime **Minister** of Canada

to the February 1986 Budget had difficulty huilding up a proposals. loyal following within the Liberal party.

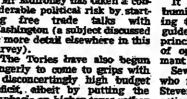
The party. The party es a whole has failed to present a coherent policy on US-Canadian free trade. Some of its leaders sup-port free trade, some oppose it, and others give the impression of not knowing where they stand.

If the Liberals-regarded for most of this century as Canada's "natural ruling party "-are to have a real chance of returning to office in the next election, they will need to clarify their views on free trade.

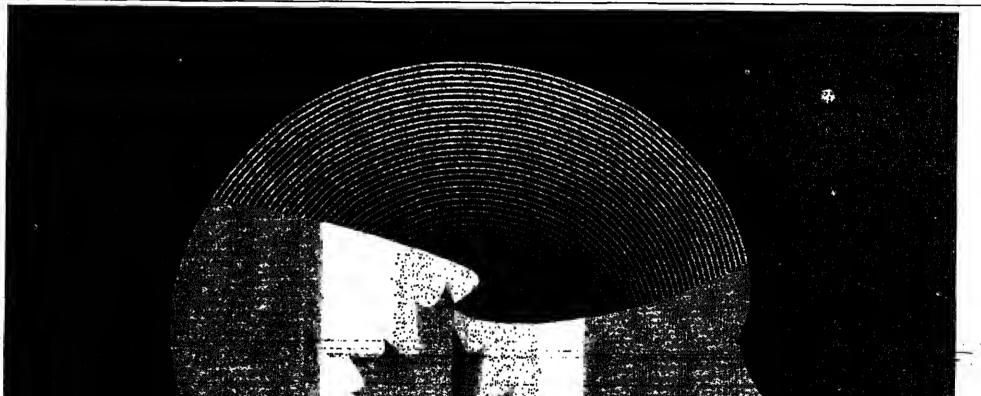
As things now stand, the trade issue will almost certainly dominate the campaign

Bernard Simon

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Mr Mulroney has so far kept the usually choppy relationship between Ottawa and the 10 pro-vinces on an even keel, despite the emergence of Liberal Powerments in Ontario



Mr Wilson says that "we may have to take some action someto lower interest rates." time through the year to put that right." A further squeeze Bernard Simon

Privatisation

Storm over sales of Crown assets

 $X \in \mathbb{R}^{+}$

spectacular success of British raised political cries of a "self-Telecom's public stock issue, out to the Americans," thus suggesting it might become a complicating the Government's model for privatisation in the search for buyers for other statemodel for privatisation in the pame of efficiency and competitiveness in a new world trading environment

A Cabinet committee was formed under Treasury Board chief Robert de Cotret. The US investment bank Salomon. Brothers was hired to advisa the Government. Former lodustry Minister, Mr Sinclair Sievens, became the chief promoter of privatisation across

Canada. Despite a favourable climate and the economic climate and the strongest equity markets since the 1973 Energy Crisis, how-ever, the Mulroney Government has found it difficult to main-tain the pace of privatisation, Some projects have been politically risky while others have brought out inter-provin-cial rivalries or exposed potential conflicts in vital areas of public policy. Mr Stevens has had to give economic

about the future of Federal Crown corporations have been delayed again and again, often becuuse of dissension within Government ranks.

poration building two national museums in Ottawa was taken jalo the Public Works Department because cost overruns were getting out of hand. Northem Transportation Company, which moves supplies to Nor-them and Arctic communities,

wis sold. Canadian Arsenals was sold to the Montreal engineering group SNC, which already owned an the block for 18 months and it canadiar has already been on the block for 18 months and it cannot walt any longeramaunition maker. The Federal holding in Canada Development Corporation, a pharmaceutical,

THE MULRONEY Government came to office in 1954 with a commitment to privatise a maze of federally-owned enterprises with assets of more than C\$50bn, of accounting for about 5 per cent of gross national product. Soon the new Conservative Government was pointing to the reservation reverse of British

owned assets. Mr Multoney is now half-way Mr Multoney is now half-way through his mandate and is pre-occupied with the free trade issue. But is still committed to the sale of Canadair, the aincraft and defence products group in Montreal; Teleglobe Canada, the highly-profitable overseas tele-communications monopoly, and Eldorado Nuclear, which mines and processes uranium. The government has also raised the possibility of at least partial privatisation of Petro-Canada, the largest retail gasoline distri-butor in the country; and later Air Canada, the national airline; and Canadian National, which

of public policy. Mr Stevens bas had to give Canadian industry from US in-up his job in the face of a political storm and decisions about the future of Federal despite some questions about the

Some sales have been com-pleted. Other public corpora-tions have been restructured at the Federal level, a Crown cor-portion build and the smowmobile and transport any series of the alwaraft manufacturer Canadair is going abead at e small's pace. Bom-bardier, the snowmobile and parenter, the snowmoone and transport equipment maker, is a leading contender with Cana-dian Aerospace Technologies in a consortium including the West German industrialist Jutus Dornier and Canadian interests. Another Canadian group has asked for further delays so that it can enter a bid, but the Gov-

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CANADA 4 Sophisticated condominium Deregulation in banking investment. On the waterfront. In Toronto, Canada. THE TORTOISES among the Meanwhile, proposed legisla financial community in Toronto tion is still under discussion in and Montreal may be slower Omanic to stimulate competition than the hares of London and in the provincially regulated Canada's six leading banks in the provincially-regulated trust and investment dealing Y'S JEEľ New York in breaking down trust and regulatory barriers between industries. them, buying chunks of county These deliberations ENCE D. expanding almost certainly result in rear, foreign securities firms being y deuberate allowed to take a bigger equity financial stake in Canadian Investment in each other and expanding nto new business areas. Bani But in their steady, deliberate ay, Canadian financial way, Canadian financial institutions are training hard to catch up later. Some Canadian institutions. Ban state in the present 10 per cent maximum and may give them greater freedom to set up full-service Canadian Tere still strongly restst the erosion set up ful subsidiaries of the four traditional "pillars," consisting of banks, trust and mortgage companies, insurers and securities firms (known in

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Erstange rate as of June 9, 1985.

Pressures mount for change ment bank Goldman Sechs was opening its first office in Toronto. Toronto. Besides unpredictable changes in the regulatory climate, Can-adian banks face the chaltenge of the stump in oil prices. The im-pact on their 1986 results will be suchtand by a recent decline

While the authorities pender their next moves, the more far-sighted bankers and financiers are seizing the initiative. According to one foreign banker, "the realities of the market are far ahead of the market are far ahead of the and securities nimes (known in Canada as investment dealers). The chairman of the Invest-ment Dealers' Association, Mr Francis Lamont, soid in June-that the entry of other institu-tions into fields now reserved.

regulators." Several recent developme for the securities industry- illustrate how pressures for notably corporate underwriting change are building up: -would be "the zoo with the Some of the 57 foreign bank

• Some of the 57 foreign bank subsidiaries operating in Canada have become increasingly active in the investment banking busi-ness, circumventing the ban on corporate underwriting by channelling business through foreign affliates, usually in London. The activities of Citibank, Bankers Trust, Chase Man-hattan and others (as well as US and Jenaces escurities Federal Government moves rederal coveriment moves towards deregulation are on ice pending a report by Supreme Court judge Willard Estey on the collapse of two small Alberta banks last year. Judge Estey's findings, which are likely in una superior are likely to urge sweeping changes in the duites of bank directors, auditors and regulat-

The scuvenes of Citibank, rapid growth and diversification Bankers Trust, Chase Man of the trust companies, whose battan and others (as well as US and Japanese securities firms with no direct represents-tion in Canada) have roused the Canadian banks, which are forbidden from underwriting ors, are expected later this summer. Othawa has drawn up various options to enable it to respond quickly to suggested

Trade relations with US

		iet e (CSm)		TR. 60. 5 (%)	Loan i	
	1986	1985	1986	1985		1985
al	125.1	100.4	0,53	8.45	299.0	157.0
k of Montreal . C	74.3	78.0 81.3	0.41 0.38	0.41 0.45	186.7 157.9	108.4 122.0
k of Nova Scotia		68.6	0.53	0.46	101.4	74.3
onto-Deminicit .		107.5 35.5	0.78	0.91	90.4 52.1	63.9 S1.6
* Ti	ree me	withs end	led Ap	ril 30.		

domestic corporate issues. Besides redoubling their lobbying efforts for a change in the law, several of the Big Six banks are beefing up their international capital market operations. Their aim for the time being is to match the com-petition in London and New merger with Canada Permanent merger with Canada Permanent earlier this year that it is in the same league as the Big Five banks. The trusts are still allowed to set aside only 7 per cent of their assets for com-merchal loans, but a higher ceiling is among the measures now before the Ontanio provincial sovernment. petition in London and New York, but they also have their eyes on lowering of domestic now before the provincial government.

The acquisition reflects the rapid growth and diversification

• Wood Gundy, doyen of Canadian investment dealers, commission investment destars, announced a merger last month with Gordon Capital Securities, the maverick firm whose aggres-sive, innovative and controver-sial deals have shaken the Canadian financial establish-ment to its core in the past two

The new firm, with capital of C\$250m and 35 offices worldstability of any of the big banks. All have strengthened their capital bases in the past few years and bave substantially C3250m and 35 offices world-wide, is a clear sign that some investment dealers recognise that the protective barriers around them are crumbling. At the same time as the deal was announced, the US investraised their bad debt provisions.

REPARTING TOTAL SHOULD BE SHOULD BE AN ISSUE

Financial Times Monday June 30 1986

performance. When he got rid of the organisation's president be took that job on too.

Bernard Simon

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be cushioned by a recent decline

be cushioned by a recent declifie in interest rates and by the ability of hard-pressed oil and gas producers to meet debt-servicing commitments by sell-ing off assets and other

measures to conserve cash. That

outlook for 1987 is murkier. A sign of the banks' concern

A sign of the banks' concern is the 34 per cent increase in loan loss provisions set aside by the six major institutions in the three months to April 30, compared with a year earlier. Provisions are calculated according to a five-year moving average, but most of the banks bave raised their estimates of 1986 write-offs. Toronto-Domin-ion bas classified its entire C\$738m exposure to ailing Dome Petroleum as a problem loan.

Petroleum as a problem loan. Although energy problems mey reduce earnings signifi-eantly, even the worst cases con-sidered so far-including the

collapse of Dome with debts of

C\$6bn-do not endaoger the

British Columbians are ask-British Columbians are asso-ing themselves why Mr Pattison bas devoted five years of his life to Expo. His own explana-tion—that he simply wanted to give back something to a com-munity that bas been unusually emanues to him—strikes many generous to him-strikes many as disingenuous.

Mr Pattison bas no interest in politics, although members of British Columbia's business community suggested last May that he seek the leadership of the province's ruling Social Credit party as a successor to outgoing Premier William

Mr Pattison spent a weekend thinking about it but decided he would be much happier remaining in business.

Politics would not fit the Pattison style: be is used to results—or else—and claims that his Expo involvement has not enhanced his business opportunities. But there is no 'doubt it has given him a broad intermetional exposure



Mr Jim Pattison is the British Columbian business man who master-minded Expo '86 with farious energy

Man behind Expo '86

WHEN Prince Charles and Princess Diana opened Expo '86 in Vancouver in May, a crowd evitably raised questions in Canada whether the US is of more than 50,000 rose to applaud the fabours of Mr Jim Pattison, whose name has, become synonymous with the



'international exposure world exposition. Mr Pettison, the fair's chair-His interests in British Columhis include a chain of food stores, food-processing com-panies, two eirlines, car dealer-ships, an internationelly syndi-cated television show, advertiscated television show, adverus-ing sign companies, a travel magazine, a magazine distribu-torship, a computer service company, a radio station, and e recreational vehicle manu-facturer. As soon as the hig show closes in October, Mr Pattison says, he plans to return to what he does best: making deals to expand his agglomeration of

Key election issue

The US Commerce Depart-ment touched another raw Canadian nerve in early June by ordering an investigation into government subsidies on softwood lumber, Canada's fourth-largest export to the US with annual sales of C\$4bn. Canada's share of the US softwood market has soared from 18 per cent to 35 per cent

success or failure of the talks. 1980 to 78 per cent last year. Support for a free trade pact The two countries are the with the US has grown in the world's biggest trading part-past few years as many ners, with a two-way trade Canadians, especially in the totalling C\$165bn last year. hushness community, recognise The recent surge of protec-the dangers of being tell out tionism in the US has thus of a mine trading before a conserved for in the past seven years. These skirmishes have

ding bloc. accelerated the search for competitiveness secure markets. Free trade serious about free trade talks. -On the other hand, they have provided clear examples to Canada of the need for secure in many markets has been supporters, echo, the views of, eroded over the past 25 years Mr William Mackness the Bank hy the formation and expan-sion of the European Economic "It would be difficult to

cent import duty on cedar shakes and shingles, two items used in house building. The Canadians subsequently retallated by raising duties 02 2 number of US products.

WHETHER they succeed or Community and the European fail, the free trade talks be. Free Trade Association, the tween Ottawa and Washington, system of preferences granted which began in May, will have to developing nations and the profound economic and politi- dismantling of Commonwealth

profound economic and politi- dismanting cal consequences for Canada, preferences. memory of the US economy and the decline of the Canadian dollar against the US contently Even Prime annually one to stick cuve, roney, not normally one to stick cuve, his neck out, predicted last the decline or the month that free trade will be dollar against the US currency the overriding issue in the next has contributed to much closer and the state of Canadian ex-

Mulroney Government by the ports rose from 60 per cent in success or failure of the talks. 1980 to 78 per cent last year.

barniers. Boyai Trust earlier this year scored a coup by buying Dow Financial Services, the inter-national banking, stockbooking and investment management group previously owned by Dow Chemical

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Canada's

of a major trading bloc.

Even Prime Minister Mul-roney, not normally one to stick

Every major country has a great newspaper and a great business journal. In Canada, The Globe and Mail is both.

he Globe and Mail is the leading newspaper among Canada's highly influential and senior managerial population. It is the natioo's newspaper of record and its most widely read and respected national and international news medium. The Globe is also Canada's leading business journal because it includes the daily Report On Business, extensive coverage of international business and a wide range of special business and economic reports.

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exaggerate the risks to Canada of being frozen ont of any sizeable free-access market, parsizeable free-access market, par-ticularly in a period intense international competition and rising protectionist sentiment." Many Canadians see free trade as a threat rather than an opportunity, bowever. They fear that Canadian manufacturers will be swamped by bigger, more efficient US producers and that many US companies will close their Canadian plants and concentrate production south of the border.

production south of the border. The brewing industry is often cited as a case in point. While provincial regulations have iragmented Canadian beer pro-duction among three dozen breweries, the biggest US plants can singlehandedly supply the entire Canadian market. Publishing, broadcasting and other "cultural" industries, which are protected by tax laws and local content requirements, also consider themselves vulner-able.

Agriculture is likely to be treated as a special case. It is not yet clear to what extent services, which make up nearly two-thirds of national output in each country, will be drawn into the negotiatians. The precise costs and benefits of free trade are impossible to gauge in advance. Opponents have the advantage, however, of beeing able to point to specific industries — magazine publish-ing, farm products and textiles, among others — which rely on protection for their well-being. They can easily vin sympathy for their case by pointing to potential job losses. It is more difficult for free trade supporters to single out sectors which will benefit from easier access to the US market, or to console protected indus-tries that the outlook may not be as dark as it now seems. Mr Donald Macdonald, the former Finance Minister who has been one of the most vocal groponents of free trade, has summed up both the opportuni-ties and the dangers by calling free trade a "leap of faith." Ottawa has put togetther a 100 strong negotiating team led by Mr Simon Reisman, a tough but highly regarded former deputy minister of finance. The US team is led by Mr Peter Murphy, previously the US urade representative in Geneva, The talks got off to a rocky start. An intense burst of last-minute lobbying by the White House and the Canadians was needed to persuade the US Senste 10 give the Reagan Administration "fast-track" usgotiating suthority. By doing so the Senste has agreed not to dabile in the agreed not to dabile in the productions as they proceed.

but simoly to approve or reject

the final agreement. The day before the trade talks opened in Ottawa, Presi-dent Reagan angered and embarrassed Mr Mulroney by unexpectedly imposing a 35 per

ccess to the US market. Significantly, the latest controversies have hardened rather than diluted Mr Mulroney's uan analysis of the suder far Multoney's commitment to free trade; and despite the sudden flare-nps some Doubting Thomases notably Ontario Premier David Peterson, appear to have shifted from outright opposition to a readiness to see what comes out of the tables of the talks.

Many hurdles must be over-come before a trade pact is drafted, let alone approved by both countries

Mar Petuson, the fair's coar-man, has worked for five yeers without pay, driving himself (and those around him) close to exhaustion to ensure that Expo opened on time, under budget and to favourable revisite reviews. It has been, by common consent an organisational four

consent an organisational four de force. The post of Expo chairman was supposed to be a part-time one, but Mr Pattison does nothing by half measures. He has devoted a full working week to the job, firing at least a dozen execctives who did not Bernard Simon measure up to his ideas of

Jim Lyon

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CANADA 5

Regional Profiles

Construction leads upswing

ONTARIO

WHEN OIL prices were at a peak six years ago, the indus-trial heartland of Ontario stag-nated while Alberta reaped the henefits of its oll and gas wells.

Now the roles are reversed. with Ontario enjoying a strong economic upswing.

So strong has activity hecome that concern is rising that parts of the provincial economy may overheat, with labour and materials shortages causing higher inflation not only in Orderio but in Concel only in Onlario hut in Canada as a whole.

Ontario's output is expected to rise hy 4-5 per cent in real terms this year, compared to of the national average of 3-4 per Themployment has Unemployment come down from 9.1 per cent in 1984 to less than 7 per cent. Construction is especially strong, thanks to a surge in onto to Hamilton in the south-homehuilding and the continu- west, has benefited from strong-ing development of office demand in hoth the US and

despile high vacancy

ATLANTIC CANADA

CENTRAL CANADA

WESTERN CANADA

CANADA

Ontario

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Source: Bank of Nove Scolla.

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Nova Scotia New Brunswick

Manitoba

Saskatchewan

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Canada's ten provinces — economic output

rates. The Ontario construc- directly contribute about 19 tion industry began plcking up per cent of Ontario's industrial in 1984, a year abead of the output. Although vehicle sates are in the province. But it is by ow drooping, Ontario ousiness no means the only reason for getting another push from the Liberala growing popu-

rest of the country. The Canadian Construction now drooping. Ontario ousiness Association estimates that conis getting another push from substantial new investments by US and Japanese carmakers. struction spending in the pro-vince grew by 10 per cent in real terms in 1984 and another

Geoeral Molors, American Motors, Toyota and Honda all 12.5 per cent last year. Fuelled hy lower interest rates, higher personal incomes and migration from less fortuhave plans for new assembly plants in Ontario. Suzuki and .GM are at an advanced stage of nate parts of the country, the Toronto housing market has negotiations for another size-able investment. taken off. Prices in some neighbourhoods have climbed As in the rest of Canada however, the upswing is not evenly spread. Some towns evenly spread. Some towns which rely heavily on single employers still face difficult hy more than a quarter in the past nine months. Housing starts are expected to rise hy 5 per cent this year after a 35 per cent jump last year.

times. In Sault Sainte Marie for instance, Algoma Steel cut The fall in oil prices is one f several hits of good news earlier this year. The com-pany. Canada's third biggest steelmaker, is a large producer of steel tubes for the oil and for Ontario, which accounts for almost half of Canada's manufacturing output. The auto-motive industry, a mainstay of the manufacturing helt stretchgas industry. Uranium mines in northern Ontario and the province's farmers have also missed the ing from Ushawa, east of Tor-

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Free trade supporters have reminded him that Washington present wave of prosperity. The hurgeoning economy has heen a boon for Ontario's new Motor manufacturers

now bas the right to terminate the 1985 automotive trade agreement - which more than anything else has stimulated the Ontario motor industry-on one year's notice.

Liberal government, which took office a year ago after 42 years of unbroken Conservative rule

The new premier, Mr David

Peterson, has also shown himself to be an astute politician. He has heen less compromising

and more interventionist than his Tory predecessors but he

has chosen carefully the issues on which to take a stand.

While expressing reserva-tions about the Federal Gov

ernment's free trade talks with the US, the Ontario premier

has so far been careful not to put himself in a position where

he can he accused of scuppering

an initiative which may hring substantial advantages to less

fortunate parts of Canada and perhaps even the long-term benefits to Ontario.

larity.

American

On the other band, the Peterson government has pro voked several political contro er cent change 1984 1985 versies where its opponents have heen special interest lobbles with little popular sup-port. It has upset lawyers hy 1986 1987 2.7 1.9 2.0 2.2 2.2 3.2 2.4 2.0 2.2 1.4 abolishing Queen's Counsel appointments and it annoyed 2.0 1,9 2.1

many husiness people by imposing strict new anti-pollu-4.4 tion controls. One of the Liberals' most contentious measures is a pro 3.7 posal to ban Ontario's 15,000 0.g

doctors from "extra hilling"— in other words, charging patients higher fees than the rales paid by the provincial health insurance scheme. 3.4 3.4

Bernard Simon



OUEBEC

A NEWLY confident Québec province has put aside the inde pendence issue and is again taking its place in the North American mainstream.

The province came under new political management last December when the Québec Liberals under Mr Robert Bourassa swept back to power with more than 50 per cent of the key Francophone vote and 99 of the Assembly's 122 seats.



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Thomas L Wells Hugh P. O'Neil Agent-General for Ontario Minister of Industry. in the United Kingdom Trade and Technology

David Peterson Premier of Ontario

The separatist coalition led by Mr René Levesque, the Parti Quéhecois, bad been in power for nine years. But the party bad lost the support of Québcois youth and of the big unions, its organisation was in dissaray, and the passion for independence from Canada bad waned. Even the fight with Ottawa for more provincial powers had become tiresome after Mr Pierre Trudeau ceased to he Federal Prime Minister in 1984.

Public opinion moved decisively towards the more pragmatic approach of the Quénec Liberals and their more coherent econo-mic policy. Voters had clearly had enough of hickering over language differences and street signs in Montreal, high taxes, persuasive government interven-tion and truculent unions.

The Quéhecois wanted to get on with huilding a stronger and more diversified provincial economy, emphasising techno-logy productivity and the crea-tion of new wealth. The last time unemployment was below 10 per cent was in the early 1970s, when the first Bourassa government started the C\$14.5hn James Bay hydro-electric project.

Already tensions have eased. The Francophones, who make up 80 per cent of the province's population of 6m, feel less iso-lated, while the Anglophones are relieved that the issue of separation has been put on ice.



French has become the everyformer Parli ministers. Though lacking an experienced leader, the Rasday language of work and of. husiness in Montreal, and the semblement wants to become a reorganised political party exodus of Anglophones and head offices to Toronto is over, Tourists are flocking in from next year. the US, Europe and Asia.

The Parti Québecois, led by Mr Pierre Marc Johnson, is marshalling its remaining forces, temporarily exploiting indignation about English language slreet signs in Moncuts, it hopes to hold the budget deficit to C\$3hn and retain the treal, but really searching for a new programme which innenct to Casan and retain the province's high credit ratings. It has moved to accept the "Canada Clause" in the federal constitution, allowing English-speaking children from other volves something more than an updated version of the fervent provincial "nationalism" of the 1960s. On the independence issue it tends to waffle.

Many hardcore Parli Québecois separatists in the PQ coalition defected hefore last December's election as Mr Johnson deftly. tried to steer the party away from its commitment to independence. This group is now coalescing around the new Rassemhlement Democratique pour l'Indépendance hut with-out the support of several

o win over the 'nationalist'' lobhy Ontario and the Québecois Queheo other

provinces have always opposed special status for Québec, saying all provinces should enjoy equal rights and powers. The Bourassa Government in Whether the new Liberal Gov-ernment in Ontario, trying to Québec has moved swiftly to cut personal taxes nearer to the Ontario levels while increasing consumption taxes to compen-sate. Together with around C\$1hn in public sector spending speed provision of French schooling and other services to its Francophone minority, could compromise is not yet clear.

The economy of Québec is growing at 3 per cent a year in real terms, with lower interest rates, a fairly solid consumer sector, active house-huilding exports helped by US growth and the weak Canadian dollar and lower oil prices.

speaking children from other provinces to attend publicly-financed English language schools even though their parents were not educated in English schools in Québec. More than 1.000 children of Italian parentage now "illegally." The provincial business schoo hoom of the 1960s and 1970s has produced a new breed of Francophone managers and executives who are now runattending English - language schools in Montreal will be ning the private sector and are also represented in the Bourallowed to stay. Once a key court decision is banded down, the Government will move away from the exassa cahinet. They are devel-oping the financial services

sector swiftly, with an eye on national and international expansion.

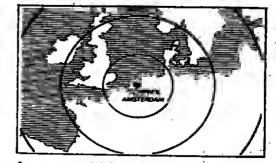
treme restrictivenes of Bill 101, the PQ's French Language Charter. It is expected to allow street signs in French and Many have started new husinesses in manufacturing and the service sectors or have English in Montreal as long as acquired sizeable companies English in Montreal as long as French has precedence. Prime Minister Brian Mul-roney and Federal Liheral leader Mr John Turner In Otlawa say they want Québec to sign the 1982 federal constitu-tion within two years or before the next Federal election. Québec has laid out its demands: its recognition in the Constitution as a distinct society. through leveraged huyouts. The Montreal Stock Exchange has Montreal Stock Exchange has listed about 50 of these com-panies in the past 12 months with the help of a tax provision allowing Quéhec residents to deduct up 10 75 per cent of the cost of purchasing newly-issued shares within certain limite limits.

Constitution as a distinct society within Canada: more powers over immigration: restoration The Bourassa Coveroment wants to use this new spirit of enterprise to achieve a enterprise to achieve a healthier balance hetween the public aod private sectors and over immigration; restoration of a veto on constitutional change: a say in naming Supreme Court judges; limits on Federal spending powers in the province; and financial com-pensation when it opts out of Federal orporarmes maintain economic growth so that Quebec can reduce con-sumption taxes and he more competitive with its powerful neighbour Ontario.

pensation when it opts out of Federal orogrammes. In 1981 Mr Trudeau, sup-ported hy the other nine provinces, refused Quéhec's demand for special status. As demand for special status. As demand for special status. As demand for special status are demand for special status. As demand for special status are demand for special status. As demand for special status are demand for special status. As demand for special status are demand for special status. As demand for special status are demand for special status are demand for special status. As demand for special status are demand for special status are demand for special status. As demand for special status are demand for special status ar It wants to privatise a dozen It wants to privatise a dozen Crown corporations (hut not Hydro-Quehec, the larges1), to restructure the old industrial economies of Montreal Quebec City. Trois Rivières and other larger towns, to increase ex-ports of manufactured goods. But both Mr Mulroney and Mr Turber have committed themselves in principle to accept most of Quehec's and later lo make a start on the second phase of James Bay based on power contracts with Ontario and the US. accept most of Quenecs demands, responding in part to wings in their own popularity in Québec and in part trying

R. G. Gibbens

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INVESTMEN CANADA

WHEN Prince Charles and Princess Diana charmed their why through Expo '86 in Van conver last May they were join-ing in a celebration of the brightest spot in western generally. Canada's economy. While Expo organisers welcome the world to a fair which will generate close to C\$2.5bn for British Columbia, develop-ments in international trade have left some of that province's lumber mills lying kile, shut down oil wells in Alberta and forced many Saskatchewan and

Manitoba farmers to live at the mercy of their bankers. Another irony is that as tourists flock west to Erpo, as many as 90,000 western Canadians could head east this year in a search for jobs. Many are oil workers who earned good money in the oil boom of money in the on soun or the late-1970s and early-1980s when world crude prices soared. Close to 15,000 people have been laid off since prices began ing late last year. The determination of Arab nations to force Britain and Norway into production cuts has badly hart Canadian oil pro-ducers, who are going through their first year without govern-

THE WEST

disma

ment price controls. First-quarter profits of most Canadian oil producers fell by 30 to 70 per cent. Many impor-tant projects have been called off or curtailed as oil compar losing an estimated C\$10bn in revenue this year, cut every-thing from well drilling (down 60 per cent from last year) to office staff.

office staff. This is had news for men like David Keller, a 34-year-old Calgary welder. 'He has spent two: years' travelling across Canada looking for work, often Sleeping in his car because he connot afford hotel prices. "I was born and reised in

the west and I want to stay here," he said. " But when 2,400 guys apply for 24 jobs with the Calgary fire department, where do you find any work?"

James Vertoch, a long-distance trucker, watched the last of his four sons leave Alberta in the fail. He refused James' Vertoch,

spring Mr Vertoch saw the writ. ing on the wall and prepared in the US-EEC "wheat war," dropped. He predicts that as to move from Calgary to Van which has sent world grain 'My smart move is to get out mers have already been told that zow before it gets rougher," he this year's initial price for The all and the source of the source The oil price collapse could

CANADA 6

not have come at a worse time for Alberta's economy, winch list year had begun to recover from a deep recession. The province's farming and coal mining are also in the doldrems, Northland Benk and

Canadian Commercial Bank, the only two banks based in Alberta, failed last September. Alberta, failed last September, Like the oil workers, farmers in Saskatchewan, Manitoba, and Alberta, enjoyed hoom days when world grain shortages sent wheat prices up to C\$6 a binshel. Meu Hke Joe Tarasoft shought the early 1980s were a good time to set their sons up in farming. They borrowed heavily and farm debt across Canada, rose from C\$8bn in 1975 to C\$22.4bn in 1985, according to the Federal Department of in 1985. the Federal Department of

ulture Now, five years of drought and far too many grasshoppers have left Mr Tarasoft and his son David wondering how to pay for their land in southern Alberta. "When we bought this Alberta. "When we bought this section (640 acres), wheat was

this year's initial price for wheat will be 19 per cent lower than last year's. Then profits last year fell more than 35 per cent to about C\$1.2bn.

A DESTRUCTION OF FRANK AND DESTRUCTION

The problem of depressed grain farming is most acute in Saskatchewan, where 40 per cent of Canada's agricultural land is located. When farmers cut back on fertilisers last year. potash prices plunged.

The Potash Corporation of Saskatchewan, which mines and sells potash, tost C\$68.7m last year. The Canadian fertiliser industry went from a C\$148m profit in 1984 to a C\$19.6m loss

International trade disputes International trade disputes have also hit the lumber industry, the make force in British Columbia's economy. In May, while politicians debated a freer trade relationship between Canada and the US, Washington announced a 35 per cent tariff on cedar shingle imports Washington has subseimports. Washington has subse-quently ordered an investiga-tion into Canadian subsidies on

softwood lumber. of Port Hardy Forest Products

Exodus as oil profits collapse Now its in Vancouver Island, imme-Tarasoff. diately laid off all 60 of his

Financial Times Monday June 30 1986

ernments ect to pretent a timber trade war. Despite this setback, British Columbian forest products generally have done well this year. Plywood and pulp markets have strengthened and demand for lumber used in housing has immersed as Canadian and US

increased as Canadian and US interest rates declined. The governments of all the western provinces are under pressure to give further tax con-cessions to the oil, lumber and mining industries and a C\$1ba subsidy programme for far-mers to help them to weather

world trade storms. Attempts et economic diversification has prompted the for mation of some small businesses. Tourist dollars (US as well as Canadian) from Expo 86 and the 1988 Winter Olym-pics in Calgary are all-impor-tant economic stimuli.

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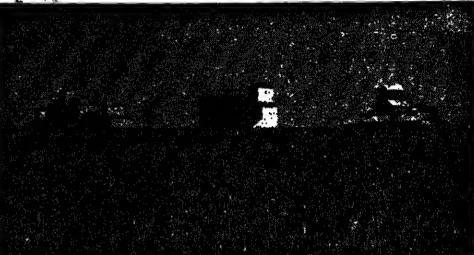
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But until western Canada can create a more varied econo the land that not long ago thrived on the idea that "big is better" must learn to kve with less.

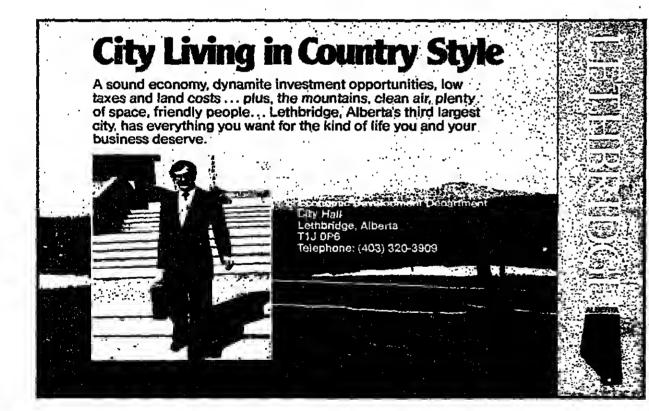
Janet Moffatt and Kevin Cox



Wheatfields on the Saskatchewan prairie, where falling grain prices have put many.

ATLANTIC been buffeted by recent events. the Atlantic provinces have tionally viewed free trade with but both have at least two more years before they must face the been largely left behind by the the US, and New England in economic renewal that followed porticular, as a recipe for economic renewal that followed normality viewed free trade with the US, and New England in economic renewal that followed porticular, as a recipe for economic renewal that followed normality viewed free trade with the US, and New England in economic renewal that followed porticular, as a recipe for economic renewal that followed normality viewed free trade with the US, and New England in economic renewal that followed normality viewed free trade with the US, and New England in economic renewal that followed normality viewed free trade with set with the US, and New England in economic renewal that followed normality viewed free trade with economic renewal that followed in particular, as a recipe for economic renewal that followed normality viewed free trade with economic renewal that followed in the US, and New England in economic renewal that followed in the US and New England in this even the work at the the US and New England in economic renewal that followed normality is a recipe for economic renewal that followed normality is a recipe for economic renewal that followed is free trade with the US and New England in economic since the Mulroney government in Ottawa launched its free trade with renewal driven by offshore oil in Ottawa launched its free trade initiative.

BA



tives, Canada's jour Atlantic provinces ("the Maritimes" and , Newfoundland) have begun hedging their bets with a strong, swing to the Liberals in provincial politics. In April, voters in Prince Edward Island, the smallest of Canada's 10 provinces durant

Canada's 10 provinces, turned out Premier Jim Lee's sevenvertald Tory administration and Joe Ghiz, son of a Lebanese grocer, became the first Canadian premier with a non-European background.

non-European background. In New Brunswick, Richard-Hättleid, Canada's longest-serving premier, seems unlikely to hang on beyond the next election, expected within a year. His. popularity has never recovered from prolonged allegations of drig use and free use of a government alread. Hatfield stood trial for drug

traineid stood trial for drug possession two years ago, after police found a small quantity of marijunua in his suitcase while checking luggage during a tour of the province by the Queen. He was acquitted. The Atlantic provinces?

The Atlantic provinces' remaining pair of Conservative premiers, John Buchanan of Nova Scotia and Brian Peckford

releastless criticism from the boom off the shores of New-Liberals and three New Demo-foundland and Nova Scotla has crats for their handling of all but petered out. Less environmental issues, the pro-vincial deficient, patronage appointments, and charges of political interference with the judicial process. In Newfoundland, Premier

Two prospective develop-ments by Mobil Canada, the Venture gas field off Nova Scotia and the Hibernia ollifield Peckford has been locked in an acrimonious battle with the acrimonious battle with the province's public-sector trade unions. An illegal strike by 5,500 transport, public workers and general service workers ended on April 6, when the two sides signed e back-to-work agreement which included off. Newfoundland, have been plagued by disappointing de-lineation wells., Hibernia seems likely to proceed when and if oil prices rebound, but chances of production from Venture seem remote before 1999. sweeping concessions by the government. The one bright spot is Atlan-tic fishing, which has rebounded

The union has since accused the Newfoundland provincial government of reneging on its promises and has threatened to smartly after years of turmoil culminating in the bankruptcy chiminating in the bankruptcy and reorganisation (with mas-sive government assistance) of several large offshore fisheries. The restructured companies now have healthy balance sheets, helped largely by the depreciation of the Canadian dollar against the US dollar and European currencies. Bisheries renew its strike in early Sep-tember — this time with the active support of 5,500, other workers, including hospital employees.

This political ferment takes place against a background of continuing economic disappoint-European currencies. Fisheries trade disputes with the US loom ment in the region. as a serious potential problem, Traditionally the poor sisters of the Canadian Confederation, however. Atlantic Canadians have tradi-

sovereighty.

Unexployment in Atlantic Canada remains high, ranging from 14.4 per cent in Nova Scotia to 22.2 per cent in Newfoundland and Nova Scotla has all but petered out. Less generous Federal Government incentives and poor drilling refoundland. Per capita annual incomes for suits have contributed to the decline.

the four providees - Nova Scotia C\$11.700; New Brunswick C\$10,700; PEI_C\$10,300; Newwell below the Canadian national average of argund C\$14.400.

Generous tax incentives aimed at encouraging private sector solutions for Cape Breton's chronic economic stag-nation have begun to show results, albeit modest ones,

Magna International, Toronto-based motor Darte manufacturer, plans to put up two plants in the island employ-ing 250 people. Factories to pro-cess lobsters and make advanced mining equipment are also on the drawing boards. These projects have brought a flicker of high to the most depressed area of Atlantic Canada. In other regions, however, the hopes that were raised earlier by oil and gas discoveries and Parker Barss Donham

Edging towards equal status

FAR NORTH

WHEN Canadians talk of "heading north" they usually mean the vacation resort areas near Montreal, Toronto, Winul-peg or Vancouver. per or Vancouver.

The 80 per cent of Ganadians who live within 200 miles of the US border, seldom take account of the vast area of their country beyond that, stretching to within 430 miles or so of the North Pole. Southerners are often criticised for regarding the Ear North as a remote depository of oil, metals and furs, but doing little to integrate its economy and its people into the rest of Canada.

The search for the North-West Passage, the Yukon gold rush and, most recently, the prospect of oil and gas disprospect of on and gas dis-coveries in the high Arctic are among the lew episodes in the past two centuries which have left a lasting impression in the south: 1.1.1

Nonetheless, the economic, military and political impor-tance of the Far North is Forwards The population of. Yellowknife, biggest town in the Northwest Territories, has more than doubled in the past decade to 11.000.

The Far North sprang into prominence again last summer when Washington angered

which Canada has asserted three to two in the existing re-opening of the Cyprus Anvil superclenty. NWT. zinc mine in the Yukon. Jobs Even fourists are taking a

within a few years, but that it could be a decade or more before the Territories gain full

provincial status. The drop in the oil price and The Yukon and the North West Territories (NWT) are slowly edging towards equal stafus with Canada's 10 federal. charges introduced by Ottawa last year to frontier exploration incentives have cast a shadow over, the North's economic development. These sethacks came just as the long search for offshore oil and gas reserves in the Beautort Sea steined to the successfund provinces. Chairmanship of the NWT's executive council, or NWT's executive council, or all verophical. Cablnet, was transferred earlier came just as the long search this year, from the Territory's: for offshore oil and gas reserves commissioner, a Federal civil in the Beautort Sea seemed to servant, to the government be succeeding. Ieader, an elected official. The executive council has this year have raised hopes of commercially viable deposits.

The executive council has also taken over all the com-missioner's dulies. Further constitutional pro-gress is being held up by exten-sive land ownership and mineral rights claims by the Theriteries Indian and Inuit Pan-Artic Oils, of Calgary, which has spent C\$750m on Arctic exploration in the past 18 years, demonstrated its

ability to overcome the rigours Territories Indian and Inuit (Eskimo) inhabitants. The by sending a symbolic 100,000-harrel shipment to Monreal from a small development in Cameron Island in the Arotic claims stem partly from treaties signed earlier this century which assigned 14 sq miles to each family.

each family, Some groups, notably the and the Pao Arctic Ols project. Dene Indians who live below out by Ottawa to encourage the Western Arctic treeline, are claiming more. In addition, residents of the only a limited bearing on the Eastern Arctic, including Baffin development of the North.

Island, are pressing for the NWT to be split in two. This proposal is complicated by Denc The NWT and Yukon administrations still depend on trans-fers from the Federal Governfears that they would be in a minority to whites in the new mant for about two-thirds of their revenues. western region. Native people Generous government aid out-number whites by about from Ottawa has prompted the

NWT. Mr John Parker, the NWT's and other economic activity genial commissioner, predicts provided by the mine clearly that the split may be achieved weigh more heavily with the within a few years, but that it authorities than the over-supply of zinc on world markets.

Military activities have played an important part in opening up the North. An increase in the number of Soviet cruise missile carriers and sightings of Russian submatines off the Arctic coast have spursed the US and Canada to modernise their northern defences in terms of the recently renewed North American Aerospece Defence Agreement (Norad).

Construction starts this summer on a new Northern Warning System (NWS), whose Canadian component will include 11 long-range and 36 unmanned manned short-range rudar stations from Labrador to Alaska. The new system is ex-pected to be in place by 1991-82.

Six new fighter airstrips are also being built at a cost of between C\$100m and C\$200m. The sparsely oppulated The sparsely populated Canadian Arctic, with a land and fresh water area of S.Bm square km, is a useful training ground for Nato forces.

In an effort to prevent further challenges to its sovereignty over Arctic waters. Ottawa plans to build a new icebreaker ship capable of year-round Arctic patrols. It is also drawing formal boundaries around the vast Arctic archipelago.

Bernard Simon

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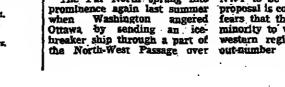
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SECTION III FINANCIAL TIMES SURVEY

Canada

The next few years will reveal whether 25m Canadiaus can sustain their enviable living standards, high degree of public order

and civilised way of life into the 21st century.

Prosperity put to test

little to disturb their sense of calm well-being.

The The infert of ferrorist nomo-ings in Europe and violence in Lebanon and South Africa will seem far removed as they en-joy tranquil evenings at their lakeside cottages or the high-tech wonders of the Expo '86 world fair in the spectacular cetting of Vancence. setting of Vancouver.

US tourists are streaming in-to Canada in record numbers this summer.

On the economie front, many Canadians who have been out of work in the past five years are now sharing in one of the strongest recoveries among industrial countries, as unemploy-ment drops towards 9 per cent dustrial countries, as unemploy-ment drops towards 9 per cent from 11 per cent two years ago. Inflation is low. Interest rates have been coming down, spark-ing a strong upswing in the busing market in some cities. access for Canadian goods in Even those Canadians still the US in the face of growing, without jobs can take comfort from one of the world's most generous social security sys-cations for Canadian society as a whole. tems.

Beneath the quiet prosperity, however, this most civilised of tions as the future direction of negotiating table. societies is entering a testing a resource-based economy, the Canadians have a love-hate preservation of Canadian cul- relationship with their southern number of fronts are converg- ture and even for some the neighbours. Most of them re-ing to play a crucial part over sovereignty of Canadian poll- cognise that being close to the ing to play a crucial part over the next few years in determinthe next few years in determin-ing whether Canadians can sus-tain their enviable living stan-dards into the 21st century. These emerging forces will derivity, taxes and industrial industries since the signing of

kets and will determine the ex- world's second biggest country Ontaria and Quebec.

10.22

Mulroney, whose first 20 with US trends: months in office have been mer-red by vaciliation on some big of their television time tuned issues and political embarrass- into US stations. Three of every ments on small ones, raised the political temperature by his un-

By Bernard Simon

characteristically bold decision · last September to launch talks on a free trade agreement with

the US. The free trade talks, which

a whole. Free trade raises such ques-

the second secon

S CANADIANS start their tent to which the disparate and the seventh biggest regions and cultures of this vast economy in terms of output, it country—in area the second is inertricably tied to the US. a vell-being. In the world after the US companies provide 80 per Soviet Union—can pull together cent of all foreign investment for the benefit of the nations as and Americans buy 78 per cent a whole. Prime Minister Brian interest rates generally follow.

four books they read are pub-lished outside the country, mostly in the US. Mr Donald Campbell, chair-

man of Maclean Hunter, a lead-ing Canadian communications company, recently equated Canadians' concern to preserve their "cultural identity" with Americans' view of their "national security."

As a result, Canadian governments take an unusually close interest in the well-being of cul-tural industries. Subsidies for film producers, local content re-quirements for radio and TV, and tax deductions for advertising in Canadian magazines are among the tools used to nurture Canadian culture. Washington wants these pro-

tectionist measures to be on the

profoundly infloence Canada's strategy, an automotive trade agreement Scotiz and Newfoundland bave competitiveness in world mar. Although Canada is the in 1965 has proved a boon to receded into the far distant

Canadian and US teams play in the same baseball and ice hockey leagues. The US has given many Canadian students, managers and professionals en opportunity to broaden their horizons without moving far

from home or having to endure a severe culture shock. On the other hand, Canadians take justifiable pride in some of the differences between the two societies: their lower crime rate, their cleaner and safer cities, their less competitive work ethic, their greater sensi-tivity to such issues as disarma-ment, the environment and the problems of Third Word devel-

opment. The free trade debate is complicated by disparined between Canada's 10 far-fung provinces. For the resource-based economies of Saskat-chewan, Alberta and British. Columbia in the west and the Atlantic provinces in the east, lower trade barriers raise the lower trade barriers raise the prospect of easier access for humber, fish and farm products to the US market.

Inhabitants of these provinces would gain by importing manufactured goods from the south rather than having to pay high transport costs to bring them from the factories of Ontario and Quebec.

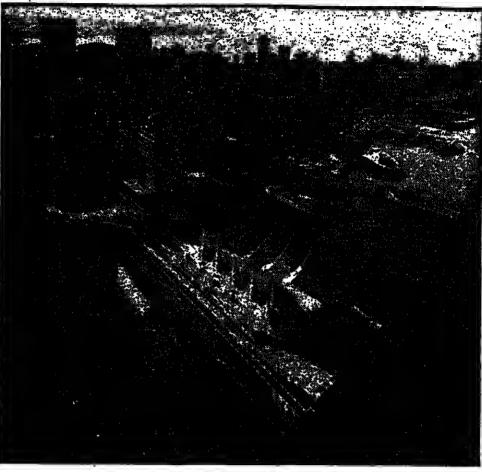
On the other hand, the con-ventional wisdom is that, with ventional wisdom is that, with a free trade pact in place, cen-tral. Canada'a . manufacturing industries would be swamped by US goods and many US investors would close their Canadian branch plants to supply their northern markets from big, efficient factories in the US.

Trade unions, worried about the impact on jobs, are in the forefront of the fight against

free trade. The sudden fall in world oil and grain prices bas brought and grain prices bas brought a new dimension to these regional priorities. While Canada's overall GNP is expected to grow by 3-4 per cent this year and by 2-3 per-cent in 1987; oil-producing-Alberta and the wheat-producing prairie provinces are in serious trouble.

Alberta's economy, which was on the brink of a healthy recovery this time last year, is. now expected to shrink by 2 now expected to shrink by 2-per cent in real terms in 1986. The number of oil rigs operat-ing in western Canada has shrunk from 300 to 100.

Furthermore, prospects of developing high-cost oil and gas fields off the coast of Nova Scotia and Newfoundland bave future.



The Canadian Pavilion at the Expo 86 World Fair in Vancouver

Unemployment in these less fortunate parts of the country — already well into double digits—is now rising. Canadian oil producers, still burdened by the heavy debt which they took on to finance expansion in the heady 1970s, face a severe financial crimch in 1987,

Low energy prices are a boon for the energy-consuming industrial provinces of Ontario and-to a lesser extent-Quebec, Ontario's growth rate and-to will come close to 5 per cent this year and its unemployment rate should drop below 5 per more.

cent. The widening gap between the haves and have nots creates the potential for rising political the potential for rising political tensions, as it did when the roles were reversed during the Opeoled oil boom of the late 1970s and early 1980s. At that time, former, prime minister Pierre Trudeau made bitter enemies of the oil com-

panies and western Canadians Ontario and Quebec may also in general by artificially bold-ing down domestic oil prices, be expected to make sacrifices for the sake of their less ing down domestic of prices, raising taxes on diergy pro-ducers and providing generous government handouts to encourage exploration in the Arctic and off the East Coast at the expense of the west. fortunate countrymen in the west end east. Some observers already see a link between mounting restiveness in the west and Ontario Premier David Peterson's less strident oppo-sition in recent months to the

In 1986, the boot is on the other foot. Ottawa began dis-mantling the Trudeau National Energy Programme last year free trade initiative. Optimists predicted a new Optimists predicted a new era of federal-provincial good-will when Mr Mulroney's Pro-gressive Conservative party came to office in a landslide election victory in September 1984 after more than two decades of almost unbroken Liberal rule in Ottawa. At the same time, no fewer than eight of the 10 provincial governments were in Conserva-tive hands: In Ouebec Mr René before the oll price plummeted, but pressure is now growing on the Federal Government to do

Mr Howard Macdonald, chairman of Dome Petroleum, Canada's biggest independent of and gas producer which has amassed debis of C\$6bn, warned recently that "government action has so far been modest in comparison to the size of the problem." Prairie grain farmers

tive hands. In Quebec Mr Rend Levesque's Parti Quebecois was eager to boost its sagging pop larity by forging closer link are pressing for more financial aid. with

governed by the mildly socialist New Democratic Party, appeared

to be out of the fold. The line-up of both parties and personalities in provincial politics bes changed dramati-cally in the past year. Ontario's tired Tory dynasty, in office for 42 years, has been replaced by the vigorous Liberal administra-tion of Mr David Peterson, who is rapidly carving a reputation as one of the shrewdest poll-ticlans in Canada, Liberals have also taken over in Quebec and Prince Edward Island.

Alberta's Tories face a revitalised opposition after recent elections. The Tories are also exepected to lose ground (and perhaps the reins of power) in elections expected within the next year in Saskatchewan and New Brunswick.

These shifts, coinciding as These shirts, coinciding as they do with unsettling econo-mic trends, will complicate Mr Mulroney's task of forging a national consensus on free trade. They raise the risk that some of the provincial govern-ments will become even more inward-looking than they usually are, more determined than ever to put their own interests above those of the country as e whole.

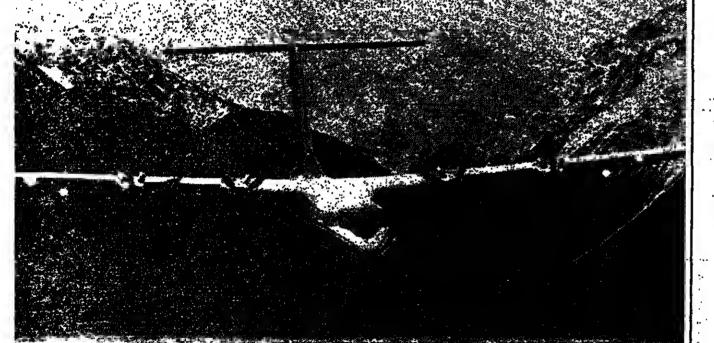
Even so, Quebec's recent experience shows that changes can create opportunities too. Con-cliatory statements by Federal Prime Minister Brian Mulroney and the new Liberal premier Mr Robert Bourassa bave lifted bopes that Canada's largest (in area) and only predominantly Francophone provioce can again become a full member of the confederation by signing the 1982 Constitution.

Mr Levesque refused to sign after other provincial premiers turned down his demands for a Québec veto on constitutional changes. Formal negotiations are likely to be reopened soon,

After more than a decade of growing government interven-tion in the economy, Quebec is now a pace-setter in privatising state corporations and de-regulating financial services.

ON OTHER PAGES

after more than two les of almost unbroken ral rule in Ottawa. the same time, no fewer	The economy Foreign investment	2 2
eight of the 10 provincial	Federal politics	3
mments were in Conserva-	Privatisation	3
hands: In Quebec Mr René	Babling	4
sque's Parti Québecois was	Trade with US	4
by forging closer links	Regional profiles	5 & 4
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i Trade Mark of The Bank of Nova Scotla

tal on 1985 annual

EUROPEAN HIGH TECHNOLOGY 2

Semiconductors

Striving to regain ground

DURING THE past 18 months one of the steepest and most brutal downturns in the history of the semicooductor lodustry has forced many US and some Japanese suppliers to retreoch in the face of collapsing product prices and mounting losses.

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Yet in Western Europe much of the recent emphasis has been on continued expansion. A number of established elec-tronics groups have ploughed ahead with substantial invest-ments intended to strengthen ments intended to strengthen their market position in semi-conductors, while several new companies have also been formed to enter the business. Among recent developments

 Siemens of West Germany and Philips of the Netherlands, Europe's two largest electronics companies, are committing almost \$1bn to Megaproject, a fonr-year joint research pro-gramme designed to match Japan's leadership in advanced memory chip technology. Thomson, the French stateowned electronics group, is pressing abcad with ambitious pressing abcad with ambitious plans to grab a sbare of the world market for mass-produced "standard" microchips. Last year it acquired a US base by buying from United Tech-nologies many of the assets of Mostek, a leading Silicon Valley compaoy which bad plunged deeply into loss. • SGS-Ates. part of the Italian

• SGS-Ates, part of the Italian state-owned Stet group, is in the midst of an aggressive international expansion effort and last year begao mass production at a large plant in Singapore.

 European Silicon Structures (ES2), a novel pan-European start-up company which plans to make low-volume custom chips, raised \$60m in financing from European investors including industrial groups such as British Aerospace, SaabScaoia of Sweden and Olivetti, of Italy. This sudden dury of activity reflects the renewed urgency with which Europe's electronics industries are striving to regain lost ground after a long period of standing on the sidelines

This sudden flurry of activity reflects the renewed urgency with which Europe's electronics industries are striving to regain lost ground after a long period of standing on the sidelines while US and Japanese com-panies battled for supremacy in the fastest-growing sectors of the world microelectronics com-ponents markets. European companies bave a long way to catch up. Last year, according to the market re-standard to faste the supremacy in the fastest growing sectors of the world microelectronics com-ponents markets. Supremacy in the fastest growing sectors of the world microelectronics com-ponents markets. Supremacy in the fastest growing sectors of the world microelectronics com-ponents market re-long way to catch up. Last year.

ponents markets. "standard "chips, while Thorn-European companies bave a EMI began a search for part-long way to catch up, Last year, according to the market re-search firm Dataquest, their semiconductor sales totalled pean suppliers' sales is due to domination of the "standard "

	1980	1985	
U.S.	60%	47%	
Japan	25	39	
Europe	13	11	
ROW	_2	3	
	100%	100%	

Top ten semiconductor suppliers

the second s	
1984	1985
1. Texas Instruments	1. NEC
2. NEC	2. Texas instruments
3. Motorola	3. Hitachi
4. Hitachi	4. Notorola
5. Toshiba	5. Toshiba
6. Philips	6. Philips
7. National Semiconductor	7. Fejitau
8. Intel	8. intel
9. Fujitsu	9. Netional Semiconduct
10. Mateushita	10. Metsuskita
Securi: Integrated Cloud Linginsoring Corp.	

\$2.35bn, less than one-tenth of a large extent to conservative the \$24.7bn world market. US-based companies sold \$11.35bn, their output is in more mature closely followed by Japanese "discrete" components—not in suppliers with \$10.7bn. based companies sold \$11.35bn, closely followed by Japanese suppliers with \$10.7bn. Moreover, the only European company to rank among the top

is most intense. The US and Japanese industries, by contrast, 10 semicoo ductor suppliers is Philips, two-thirds of whose earn at least three-quarters of their total revenues from microcomponent sales are generated by Signetics, Its US subsidiary. chips

While sales of "discrete" components provide a profitable On the other hand, European on the other hand, European suppliers managed to avoid the worst of the industry slump. Their sales last year were only slightly below the 1984 level. components provide a prontable cushion during market down-turns, they grow much less rapidly than sales of microchips in times of booming demand. compared with declines of 23 per cent and 5 per cent respec-tively for the US and Japanese industries The more adventurous approach taken recently by leadapproach taken recently by lead-ing European suppliers partly reflects a belated recognition that they have been missing out on growth markets. At least as important for several of them, however, is their conviction that possession of and control over their own microchip tech-nology are so vital to their future competitiveness that they have no option but to commit

memory chip market, but be-cause they believe the rigorous technical disciplines required by mass-production are essen-tial to staying in the forefront

of technology. Both European companies hope to reap the main benefits of Megaproject through sales of sophisticated components for eclalised applications : Siemens expects to use them tions equipment, while Philips is aiming primarily at consumer electronics products. Thomson views its expansion

programme as a means of bolstering its competitiveness in defence electronics, its main business. It bopes that deeper involvement in "standard" chip markets will contribute both technical advantages and, more questionably, an additional source of profit from which to finance lts mainstream research and development programmes. But these ambitions carry big

risks. To belp to shoulder this burden, Slemans, Philips, Thomsoo and SGS-Ates hava all obtained generous support from their national governments. Britain is a rare exception among EEC countries in not subsidising an indigenous chipmaker.

Mastering the technology is only part of the challenge, however. To make their new semi-conductor initiatives commercially viable, European companies must also move much more aggressively to achieve large economies of scale in produc tion and marketing. The neces-sary volumes can, in most cases, be attained only through a hroad-based attack on major international markets.

European Silicon Structures, which was formed late last year, has adopted an original approach to this problem by organising itself from the start as a pan-European company. The company's founders argue that European semicon-ductor companies have been bandicapped in the past because they became prisoners of "national champion" policies which discouraged them from venturing far beyond their home markets. Now they hope that by deliberately eschewing identification with any one country ES2 will be in a better position to treat the whole of position to treat the whole of Europe as a single market.

Guy de Jonquieres



A small-dish satellite aerial for British Telecom digital services installed on a North Sea rig

Telecommunications

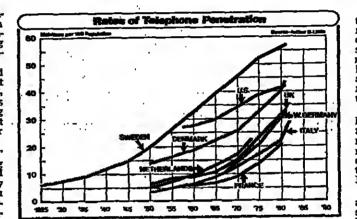
Monopolies forced into upheaval

OF ALL Europe's high-tech-nology industries, none is in the threes of such violent, con-fusing and far-reaching fusing and far-reaching upheavals as telecommunica-

After decades of steady and largely predictable development within a monopoly framework, Europe's telecommunications industry is suddenly being forced to adjust to the impact of powerful pressures for change from all sides:

 Technological "convergence" is rapidly eroding long-standing barriers which have separated telecommunications, not only from computing but also from businesses such as furancial ser-vices and banking, which in-creasingly depend on sophisti-cated electronic systems to process and transmit information.

 The aggressive pursuit of deregulatory policies by the US, which has led to the spreed of international competition in transmission and services, are posing major challenges to the finances and operating methods of European national telecom-



Bundespost is bound to resist a manufacturer one bundred times more to get an item of subscriber equipment approved strongly any serious effort to curtail its monopoly. None the less, even the Bundespost and other ultra-traditional PTT monopolies are being forced to meet the chalsubscriber equipment approved for use in every European country than for sale on the US market. Moreover, large parts of many European markets are blocked off by PTT procurement practices which discriminate in favour of local suppliers. The EEC Commission has langued several initiatives to lenge of recent price competi-tion on international routes. Most are reluctantly responding by cutting their own inter. The EEC Commission has national tariffs, even though the launched several initiatives to

But Europe still has more telecommunications equipment tranufacturers than its markets can support. In an effort to survive, most companies are now looking increasingly to international collaboration arrangements and alliances to reduce costs and open up new market opportunities.

Though some modest steps have been taken by manufac-turers in the EEC to pool their resorces in component development, the dominant axis of collaboration looks more likely to he transatlantic than intra-European.

Several European companies are trying to establish a pre-sence in the vast US market sence in the vast US market by linking up with local part-ners. Britain's Plessey bought Stromberg-Carlson several years ago., France's CIT-Alcatel has ago. France's CHT-Arcatel has acquired several small US com-panies, West Germany's Sic-mens is holding talks with GTE and Sweden's L. M. Ericsson formed a joint venture with Anaconda, which it has since bought out of the arrangement.

Meanwhile, the Dutch Philips telecommunications equipmen

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munications monopolies (PTTs). • A proliferation of innovative products and services is open-ing up a far wider range of choice to telecommunications users.

 Control of the province of the provided telecommunications equipment industry as manufacturers struggle to expand beyond home markets which are no longer hig enough to support soaring product development costs.
 Until a few years ago, officials in many of Europe's PTTs imagined that, by standing their ground, they could resist or tame these forces. But under pressure from international competition and from their own national governments, they are now being forced to adjust.
 Two main policy trends are discernable. One is liberalisation of markets to allow increased competition, particularly in the provision of new "value added" services such and electronic mail. The second is privatisation, which has become a shorthand term for and electronic mail. The second is privatisation, which has become a shorthand term for granting increased commercial independence to PTTs by removing them from direct government control. However, the balance struck between these two goals varies considerably between countries,

considerably between countries, so that the emerging pattern in Europe is far from uniform. To date, the most radical action has been taken by Britain, which pioneered policy reform in Europe by liberalis-ing its telecommunications mar-ket in 1981 and selling just over half of the state's shares in British Telecom to privata investors in 1984. Both the Netherlands and France bave announced plans for more liberal policies. How-ever, neither they nor any other

ever, neither they nor any other European country aims to fol-low the example set by Britain in licensing the privately-owned in licensing the privately-owned Mercury Communications to compete with BT in operating a halonal network. Moreover, though present thinking calls for less government control over the Dutch and French PTTs, both are expected to remain state-owned for the remain state-owned for the

toreseeable future Whether it will prove possible in practice to liberalise telecommunications services without admitting some competition in the public network remains to be seen. US and British experience strongly suggests that if new information services are to be permitted tha regula tory freedom they need to grow rapidly PTT monopolies may have to be prepared to tolerate some re-sale of capacity on their networks to third parties and consequent revenue losses. In West Germany, Europe's

largest telecommunications market, a governmet committee is reviewing the role of the powerful Bundespost. It is unlikely, though, that any serious moves will be made to modify policy before the next federal elections, and the

national rains, even though the resulting revenue losses can only be offset in the short-term by politically controversial price rises on domestic services. For Europe's telecommunica-tions equipment industry, these trends bring mixed blessings. On the one band, genuine liberali-sation is likely to stimulate demand and open up opportuni-

cedures. demand and open up opportuni-ties in individual countries. On the other, if each country res-

one other, it each country res-ponds in a different way, the existing fragmentation of national markets is likely to persist.

Differing national standards and equipment testing pro-cedures pose major problems for the industry. It is estimated, for instance, that it would cost

try to remove these obstacles. They includa Race, a project to define common standards for business in a joint venture with American Telephone and Telefuture optical communications graph, which is also in pro-tracted negotiations on a prosystems, and a proposal that European PTTs agree formally to recognise each others' equipposed link-up with CIT-Alcatel. The French Government is expected to decide soon wbether ment testing and approval pro-

cedures. However, the Commission enjoys very limited authority, and no European manufacturer can afford to pin its bopes merely on efforts to open up EEC markets. Harsh commer-cial pressures have already forced suppliers to abandon development of their own digi-tal public exchanges and prompted rationalisation moves within national industries. approve the latter project. Its attitude is favourable, as is widely expected, the deal would entitle AT&T to compete for up to 15 per cent of France's highly-protected public tem-phone exchange market in exchange for belping CIT-Alcatel to sell its products in the US.

Guy de Jonquieres

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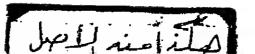
30 Electrical and Electronic companies, 2 Freight Forwarding agencies, 7 Printers and Publishers, 3 Paper Mills, 6 Transport companies, 3 Packers, 2 Robotic Engineering companies, 16 Precision Engineering groups, 25 Mechanical Engineering works, 8 Computer companies, 26 Business and Secretarial services... and a man who makes printed circuit boards.



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EUROPEAN HIGH TECHNOLOGY 3

Software

Custom Software/

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Training/Fectities Processing

Computer Software

On the verge of a breakthrough

THE SOFTWARE industry is English - speaking processing the whole of software produc-on the verge of a major break- centres. through in productivity, and The "packaged" software integrate the work of an entire on the verge of a major break-through in productivity, and European software companies look like playing their full part in it.

Whether or not they will benefit commercially from their afforts is another question. The harsh fact is that an overwhelm-ing proportion of all the sys-tems software—that is, software which controls the functions of the computer itself or which mekes it simpler to carry out data processing used in Europe —is North American in origin.

To some extent this is simply a function of the predominance of IBM in European Data Centres and therefore the use of its major operating software, including its flagship systems VM and MVS.

Even so, through companies like Cullinet, ADR and Boole and Babbage, the US seems to have a stranglehold on the market for the everyday working tools of the data-processing professional

. It seems fair to say that while .some nations show a propensity for computer programming. good software production knows no frontiers. For years, for example, it has been received wisdom that the Japanese were unable to write high quality software. That prejudice is now rapidly evaporating.

Although European comsoftware. panles show up better where it comes to applications software -that designed to carry out a specific task such as payroll processing or personnel record management—US skill in deve-loping "packaged" solutions has given companies like Management Science America, Mc-Cormick and Dodge and Comshare a powerful European pre-seoce. It is not software writing skill that gives the US the edge -it is marketing and e sound home market.

French software and services organisations dominate the league table showing revenues earned hy companies from sales within Europe because of the trans amount of bespoke pro-gramming they carry out for French companies. This stems, at least in part, from a French

"packaged" software integrate the work of an entire works well for US software team so it is always t companies with their substan-tial home markets to use as a using agreed methods and soft-base for overseas sales. Pack-ages are generalised pieces of tion of software easier by, for software designed to carry ont example, sittomatically docu-a particular task as long as menting. ("witing up") the the user bends his business process as the programmer routines to fit the package works. rather than the other way about,

Because of the economies of Because of the economies of. scale in selling the same soft-ware to multiple users, e package can be marketed for a fraction of the price of a fraction of the price of a factoring to the marketing consultancy international Data Corporation, the market for packaged soft.

the market for packaged soft-ware is expected to grow from 34 per cent of the total software and services market last year to 50 per cent by 1991.

Over the same period, IDC estimates, the proportion of the total market taken by custom software and consultancy will stay constant at 28 per cent. These figures may be influenced, bowever, by substan-

tial changes in the way soft-ware is produced. For the most part it now seems more of an art than a science. The user's 2ge requirements are agreed, a system specification is drawn up and programmers write the computer code which converts that specification into usable

software. In practice, there are usually costly over-runs both in time and money as the user's re-quirements change, the time taken to develop a piece of code is wrongly estimated and as it proves difficult to link together all the piece of the wroten

All this has given software production a poor imaga and given fresh impetus to software hard to turn things to its own on a scientific and professional basis, systems future.

European companies like Cap Sogeti Gemini in France and Imperial Software in the UK are among the world leaders in software engineering, although it has to be said that software engineering programmes are under way in all the developed countries. The aim is to develop pro-gramming systems or IPSEs (integrated programming soft-

reluctance to use programmes (integrated programming soft-written in English primarily for ware environments) which put

Such techniques could bring about substantial changes in the economics of bespoke software. production. The influence of the personal computer workstation is likely to be equally significant in changing the costs of software production.

There is already a strong need for multiple copies of workstation programs in big corporations to be used on all the personal computers a corporation owns. In such circum-stances it is economically sen-

sible to generate a tailormade program, possibly using special program, possibly using special software engineering tools such as "fourth generation languages" which all but write the code automatically rather than moniding the organisation uncomfortably around a packcommercial success.

As Mr Philip Hughes, chair-man of Logica, told the Royal Society recently: "The role of the custom software company shows no sign of declining . . . it uses packages as and when appropriate and increasingly uses systems kernels.

computers. A broad spectrum of com-panies in Europe, the US and Japan are developing products "The seemingly sharp distinction between software products and custom software is likely to become blurred." based on the transputer, a complete computer-on-a-chip de-All this should be to Europe's advantage. But it is trying

advantage, especially with the new emphasis on an operating system called Unix as the environment of the Unix, written at Bell Labora-

microprocessor design yet seen and a major step towards parallel processing architec-tures, the foundation for totories, is a powerful operating system much liked by pro-grammers although flawed in many respects. But it has the advantage of not being part of the IBM range of systems software and is therefore seen as a bulwark for Europe against the US giant

THE QUALITY of the Euro-pean contribution to the devel-opment of computing has never been in doubt, even if it bas only rarely been translated into more in conventional main-frame data processing, a few brilliantly effective but only locally successful minicomputer To take only three examples: Some 20 laboratories • Some 20 laboratories throughout Europe are well advanced with a collaborative project to develop a computer designed to process informa-tion using light rather than electricity. Such a mechine could operate, in theory, 1,000 times faster than conventional computers

1985-\$15-165ba

companies and a handful of good microcomputer companies, of which only one, Olivetti (which offers a full range of business computers), can really be considered a world-class Dlaver.

Where there have been successes they have been the result of strategic alliances. Olivetti, for example, which builds a perfectly good range of husiness microcomputers, markets that in the VIC vised and built by the UK com-pany Inmos. The transputer is perhaps the most radical development in Nerver device the tele-communications giant AT & T and the office systems supplier

Its tiny M10 portable computer, however, is bought in from the Jepanese company

nothing to offer in the super the line mainframes are from Where was the Europeen Changes in the shape of the computer stakes, a field the Japanese electronics giant Compaq, able to capitalise on market offer some hope — the dominated by the US com Hitachi. Versions of the same the husiness need for a port move to multi-user computing panies Cray and CDC and tha machine are markated by the able machine before IBM was in the office could help local Japanese NEC. It has little West German company BASF ready to respond? Where is the champions like ICL and Apricot and the US National Advanced Systems, a subsidiary of gamble on an unorthodox National Semiconductor. There can be no guarantee that Olivetu's amblitious strate-gies will ensure its success, but strategic alliances and UNTER THE LEAR Was ready to respond? Where is the European Apple, prepared to approach to computing — screen pictures or "icons" and "ince" pointers to make com-puting easier? There should also he tech-nologicel spinoffs from the big

gies will ensure its success, but strategic alliances and more intelligent marketing approaches have sounded the death-knell for the old and dis-credited "national champlon" computer manufacturer. computer companies like Tan-dem and Stratus? (To he fair, however, Computer Technology of the UK has had modest local success with its own version of fault-tolerant computing.)

ICL of the UK, for example, at one time Europe's only indigenous mainframe manu-facturer, now builds its top-of-Where are the European equivalents of US companies like Convex, which identised a small but profitable market for very fast scientific comthe-range machines by courtesy of chip technology from Fujitsu of Japan. Bull of France markets main-

puters somewhat less powerful than the Crays and the CDCs frames obtained from Honey-well of the US and NEC of but at a much lower price? Japan. Siemens of West Germany

markets large mail obtained from Fujitsu, mainframes

and Norsk Data of Norway, concerns with a powerful appreciation of market needs and careful financial manage-

Software and Services Market

			- Est	imate
	1985 Şbn	Share % 18	1991 Şbn	Share % 20
West Germany France	2.76 3.29	18 22	9.53 10.20	21
Italy UK	1.59 2.66	11 18	5.28 8.56	11 18
Western Enrope	15.16		48.31	

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Western European Vendors - 1985

-	Country	Worldwide Revenue*
Cap Gemini Sogeti	France	247.3
Scicon International+	UK	143.4
GSi	France	139.1
Sema Metra	France	128.8
SG2	France	122.4
Datev	W. Germany	121.8
CiSi	France	102.1
Scauvest	Norway	96.2
SESA	France	96.2
Thoro-EMI+	UK	94.1
CCMC	France	90.3
Volmac	Netherlands	84.3
* From pure software and † Includes SC division in	i services, excluding ca the US.	ptive revenues.

‡ Includes Datasolve and Software Sciences.

equivalent of the fault-tolerant

The real successes in Euro-

pean computing are companies like Nixdorf of West Germany

Computer Technology

Alliances sound nationals' death knell

1991-\$48-317bn

t and careful financial manage-ment. Yet it is hard to see how the special qualities and skills of these companies can be trans-mitted to the rest of the European industry.

6 X. ..

European research pro-grammes, Esprit and Eureka,

which can be turned to com-

European manufacturers are

putting a great deal of faith in standards — in particular the international standard for the

interconnection of machines of

different manufacture - Open Systems Interconnection or

They see this as a way for the Europeans to start equal with their US competitors. IBM

is already well-entrenched with its own interconnection stand-

ard for its own machines, Systems Network Architecture

or SNA, which gives it e power-ful advantage in corporate

mercial advantage,

OSI.

approach to integrated automation. The Allen-Bradley Productivity Pyramid.

The Productivity Pyramid is a philosophy, an outlook, a strategy. It visualises a way to maximise enhance profitability.

It represents a revolutionary approach to automation control. An approach so comprehensive it closes gaps others can leave open. And integrates 'islands of automation' others let stand in isolation. The Productivity Pyramid

views a plant as five separate and distinct levels. Each representing a different set of tasks. Each benefitting from a different type of Allen-Bradley automation control.

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The Productivity Pyramid philosophy yields a company ruled from the top down and informed from the bottom up. Unified by information speeding reliably along electronic highways.

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Productivity Pyramid. It is our domain.

Today, we manufacture the control hardware to make it work. Today, we produce the communications networks to unify it.

Today, we possess the technical skills to help you implement it.

But make no mistake. Allen-Bradley does not construct factories. Nor assemble a system in isolation from you or

your consultants.

Instead we work as partners to make your system a functioning reality. Level-by-level. Stage-bystage. Product-by-product.

We are already achieving this with many blue chip companies, with companies like yours, committed to prospering in the new industrial age. If your company shares this philosophy we should get together. Allen-Bradley Companies, Distributors and Customer Service Support are available worldwide.

For more information, write to:-Allen-Bradley International Limited, Chiltern House, 45 Station Road, Henley-on-Thames, Oxon. RG9 1AT.

PLANT LEVEL e for overa ing and ex

CENTRE LEVEL Schedules production tes manage and pr

CELL LEVEL es productio flow among various ions. Integrates Indi-idual stations into an

STATION LEVEL Performs logic necessary m convert input from lower level to output lands, based or

MACHINERY/ PROCESS LEVEL **Basic Interface with** plant floor equip ment. Sensing and control d respond to upp



lapse

SECTION IV FINANCIAL TIMES SURVEY

European High Technology

Partnerships are proliferating across Europe in an effort. to harness innovations for the fierce global technology race.

Fresh impetus for collaboration

UROPE'S EFFORTS to revitalise its high-technology industries are set

to receive fresh political im-petus today when some 40 mioisters from 18 European governments meet in London to formalise arrangements for the Eureka programme of joint industrial research and devel-

opment. Eureka, which has been in gestation for a year, is the latest and most eye-catching in a series of collaborative high-technology programmes technology programmes launched in Europe with governmeot backiog in the past few years. It follows several EEC-wide initiatives--Esprit (information technology), Race Behind this urge to club

together lies a growing anxiety that European industries risk being left trailing far behind the US and Japan in the fierce global race to harness and er-ploit advanced technologies. In certain key areas, notably electronics and information

technology, Europe's industrial position is already weak. Its computer markets are domin-ated by US companies led by International Business Machines: European-owned manufacturers account for a ing to mere 10 per cent of world resource microchip sales; and in telecom- project.

\$}**€**4**!**∿

By Guy de Jonquieres

munications equipment many European suppliers are strug-gling with inadequate economies of scale in an industry burdened with excess capacity. There are bright spots, too The sales success of the Euro-pean Airbus has established it as a credible competitor to Boeing; the Ariane space hauncher (at least until its recent mishaps) has challenged the US Space Shuttle; and Europe can count some promis-ing contenders in growth industries such as robotics, bio-genetics and new materials.

These developments have aroused uneasy suspicions that a the US was bent on documating it key civil and defence tech-pologies and on keeping a firm grip over their international diffusion. President Mitter-rand's warning last year that US plans for Star Wars could turn Europe into a continent of subcontractors struck a chord worrying to have pushed high-technology well up the list of policy priorities in most Euro-pean capitals in the past few years. For many governments, huilding a strong technological base has become aimost synonymous with the promotion of economic synothe and comof economic growth and competitiveness. sub-contractors struck a chord with more than one of France's

Beyond that, the debate has also begun to acquire more overtly political dimensions, due partly to the Reagan administration's moves to neighbo tighteo control over US high-technology exports while seek-ing to mobilise massive resources behind the Star Wars

The underlying causes of Europe's sense of vulnerability are complex and often hard to disapp define with precision. For a start, there are few reliable measures of technological per-formance. Many of those most

commonly used, such as R&D, tors such as engineering. spending per capita or the R&D intensivecess of exports, either involve subjective judgments or are opeo to disputed interpreta-

Secondly, conditions vary widely hetweeo European coun-tries. For instance, post-war policies in Britain and France have emphasised gizmorous prestige projects such as Con-corde or the creation of "national champion" high-tech-

nology companies-ofteo with disappointing commercial disappointing commercial results. West Germany, hy contrast, has tended more to apply technology to improve the comto apply petitiveness of traditional sec-

Broadly speaking, though, Europe's problem does not lie. in any critical shortage of basic technological resources and skills or of funds to support them. Its weakness, rather, has been its failure to organise

properly to exploit the maxi-mum commercial advantage from its innevations. analyses suggest Europe Europe lacks enough high-technology companies big enough to challenge the largest US and Japanese competitors internationally. This argument, however, does not appear to stand up to close examination. Not only do compandes such

as West Germany's Siemens, and a readiness to experiment Philips of the Nethe Sands and with novel approaches to Inno-Britain's GEC have substantial vation. nevenues by any standards. But many of the technology indus-tries' outstanding success stories in recent years have been companies such as Digital Equipment of the US, West nany's Nixdorf or Norway's Norsk Data, which grew fast from modest beginnings.

A more plausible explanation is that the structure of Europe's industries has remained too rigid. Its older companies have been slow to recognise that profitable growth io many high-technology sectors requires worldwide marketing resources

• Key areas for collaboration programmes include: telecommunications; information technology; defence and aerospace

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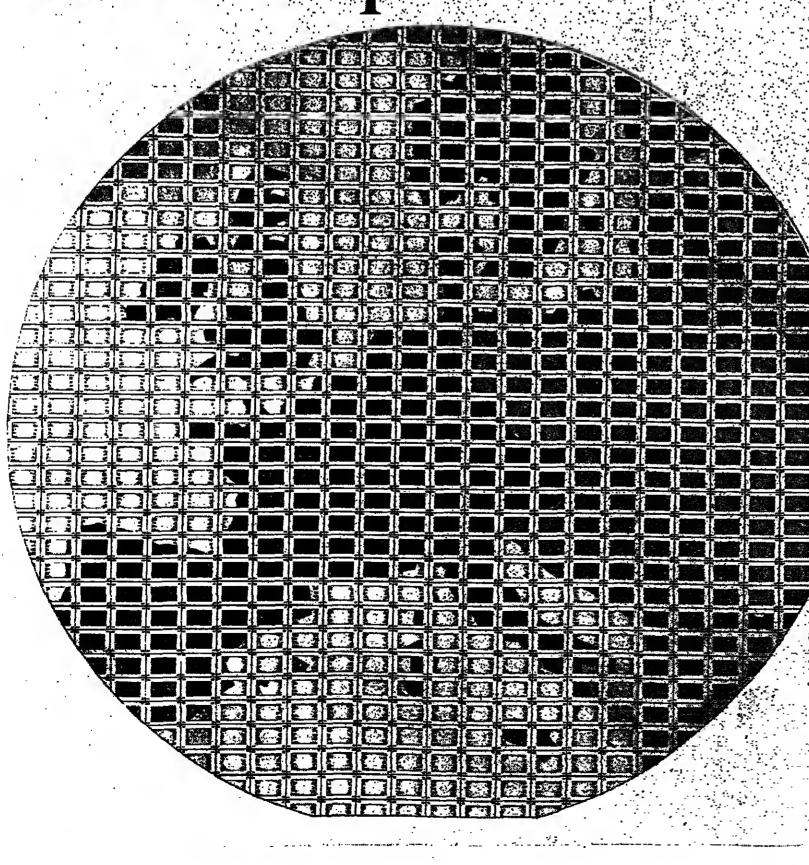
Many larger European com-panies still rely heavily on home markets which no longer Page Semicoodoctors Telecommunications provide adequate economies of Computer Software Computer Technology scale or, in the case of Philips, have traditionally set up 3 separate operations dedicated to each national market. That con-Space Civil Aviation 4 trasts sharply with the ways in 5 Military Aviation American companies such as IBM, Hewlett-Packard or Texas Instruments have long Biotechnology 6 Materials organised themselves on an EEC-wide basis to take full R&D Ventore Capital 7 Collaboration Academic Relations 8







Electronics partners in an integrated Euro



O British electronics company is more committed than Plessey to building a stronger Europe. Take telecoms, for example."

which

With other European telecommunications companies Plessey is pooling resources and sharing know how in switching technology.

In the RACE project for a common European broadband telecommunications network, Plessey is a leading participant. Take Europe's defence.

Plessey is prime contractor for Ptarmigan and Wavell, the world's most advanced battlefield communications, command and control systems in use by the British Army on the Rhine

In radar, Plessey AR3D and Watchman systems are fully operational in Europe and Watchman has now won orders from China, Dubai and Oman.

A consortium led by Plessey was chosen to manufacture NATO E/F band strategic radar systems, while new Plessey developments include multifunction phased array radars based on solid-state antennae.

Plessey has extended this overall electronics defence ability through its joint venture with Elettronica SpA, the Italian company specialising in electronic warfare. Take semiconductors.

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Finally, take Esprit - the massive EEC information technology programme.

Plessey is participating in 13 of the Esprit projects so far announced - including advanced microelectronics, information -processing and office automation

In Europe, and for Europe, Plessey is a vigorous partner. The Plessey Company plc, Vicarage Lane, Ilford, Essex 1GI 4AQ.



Technology is our business.

EUROPEAN HIGH TECHNOLOGY 4

Cash demands may test partnership

Space

WESTERN EUROPE'S space activities provide a cheering example for those who argue that political collaboration in Europe over technological deve-lopment can produce positive adustrial results.

IV

Europe's extra-terrestrial ventures are focused on the European Space Agency, based in Paris, with an anoual budget provided by its 11 membernations. Each country's share is in rough proportion to its GNP.

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The agency, formed 11 years ago, formulates e series of space programmes, most of the work on which is left to aero-space and other technology based companies in the member countries countries.

countries. Out of this arrangement has come the Ariane rocket, leunches on which are sold by Arianespace, a company based near Paris.

Despite an Ariane failure at the end of May, the fourth in 18 missions and one which seems likely to hold up further launches for next few months, the Ariane programme is widely regarded as e success

which has dented the monopoly of the US in offering commerhas been no easy matter. The will to collaborate has taken cial launch services for satellites. Other success stories in this

collaborative venture are a series of telecommunications and weather satellites, and the construction of Spacelab, a re-usable set of hardware for space experiments, which travels into the heavens inside the cargo bay of a US space shuttle.

The repres The most obvious winners from the ESA operations are such companies as MBB-Erno restrain their delight at the level of agreement and the general absence of bickering. such companies as inclusion and Dornier in West Germany, Aerospatiale and Matra in France, British Aerospace and Marconi in Britzin, and Alitalia in Italy, which gain immediately from the contracts handed out by the Paris organisation.

shape

more

which,

ESA argues, with some justi-fication, that the work it sponsors benefits not just the big companies but e large -number of smaller concerns, decade in space. The first question is the mat-ter of spending. ESA's budget for 1986 is \$987m (1.039bn European accounting units). decade in space. number of smaller concerns, which gain useful expertise in a range of technologies from new materials to computers. Ensuring pan-European parti-

with the other members (her ginn, the Netherlands, Spain, Sweden, Switzerland, Denmark and Ireland) putting up the bulk of the rest. Three asso-ciate members—Austria, Norslowly over a period of than 20 years as the European nations have gradu-ally ironed out their differences. way and Canada contribute This was especially apparent at a special ministerial meeting 2.4 per cent between them. National space programmes totally, under the control of the in Rome, in January last year, which, with surprising with unanimity, decided on the outline of a European space individual countries, add about another \$700m to the overall space budget of Western Europe, The continent's total mme for the next decade. countries could hardly annual spending on space, roughly \$1.7bn, looks small set beside the \$15bn the US. Government spend each year on civilian and military activities

That does not mean, of course, that all the problems are beyond the atmosphere. that all the problems are resolved. Indeed, quite a few are building op as Europe considers the details of how it At the Rome meeting, the ESA nations agreed to increase the budget by 70 per cent by the early 1990s. This is to take into approach the next account e string of ambitious programmes, chiefly the further

development of Ariane to pro-duce a heavy-duty version called Ariane-5 capable of taking hig-ger satellites into orbit, France and West Germany con-tribute virtually half of this, in roughly equal amounts. Italy ger satellites into orbit, together with the construction of Columbus, an orbiting roughly equal amounts. Italy of Columbus, an orbiting and Britain provide 14 per cent laboratory thet would fit into e

and 12 per cent respectively, manned space station planned with the other members (Bel- by the US for the mid 1990s. Despite this commitment, prising the extra cash away from national treasuries over the next few years may prove difficult

A second issue is just how quickly Western Europe should progress in space. France and. to a less marked degree, West Germany are both keen to press on with developments in estab-lishing a European space station in the early years of the next century. The arguments are that, by

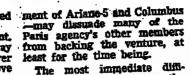
achieving a permanent manned presence in the heavens, Europe can gain experience in a variety of disciplines. These include with highviewing Earth with high-powered cameras for applica-tions such as land-mapping and experiments in low-gravity materials processing, which may provide new ways to make erotic substances. Similar have been advanced to views press the case for the US spa

station (which the National Aeronautics and Space Adminis-Acronatics and spece Adminis-tration hopes to have in orbit by 1994 at a cost of abcent "sone modest manned space out-tosts which the USSR has ilready deployed over the past decide

Some observers have, how ever, velced scepticism over whether these goals are realis-ic within the time frame proposed by the more builish exrentures. In particular, the drive by

In particular, the drive by France, Western Europe's most ambitious space power, to de-velop Hermes, may be frus-trated for want of agreement from the other ESA nations. Hermes is a manued "mini space shuttle," which would enter orbit on top of an Ariane rocket. to ferry people and materials to and from a space shuttlen.

France wants an agreement to begin the development of Harmes next year, ready for operation in 1995. But the envisaged \$2bn cast — on top of \$2.6bn each for the develop-



culty for Europe concerns the details of its involvement with ent with the US in building Columbus for the latter's space station. with Nasa Under an agree thre reached in the past months, Columbus will reached into a part in the US station and be used for a range of nt. Japan is to provide exper similar laboratory, and the US itself a third.

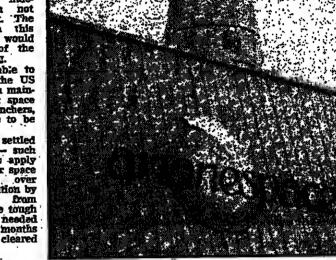
The final go-shead to the International venture, togethe with a commitment to spend money on hardware development, as opposed to theoretical studies, still has to be provided Canada by the various nations is yet another partner in the station project - and is due in the autumn.

The ESA countries are by BO means agreed on the form Columbus will take. France and West Germany have been pushing for the design to inclode its own propulsion unit so that the laboratory could form the basis of an inde-nerdent snace station bot pendent space station not linked to the US outpost. The US is not keen on this approach, which, it says, would

undermine the spirit of the international undertaking. Whether Europe is able whether Entry with the US in the space station, with main-taining rivalry in other space matters—in satellite launchers, for example — remains to be

Other questions to he settled include legal matters - such

as which country's laws apply to legal metters in outer space -and patent rights ove inventions in a space station by teams of researchers from specific countries. Some tough negotiations will be needed over the next few months before these issues are cleared



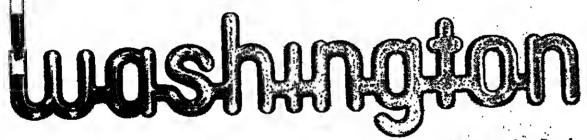
Peter Marsh The European Space Organisation launch vehicle Arland

Civil Aviation

Technical boundaries pushed back

FOR MANY years, the world's the functioning of engines, nology has moved on; and it is stantial savings in fuel over aerospace and associated hydraulics and other items. now possible for Airbus to offer conventional jet engines, industries have been the The A-320 will also incorport prospective customers for the thereby yielding in turn big thereby yielding in turn big cuts in difect operational costs, while driving the aircraft at speeds close to those of jet air-liners.

The test of success. Whohasthe right solution?



Washington. Profit from our experience

The businesses choosing Washington, Tyne & Wear, as their operational base are varied in character. However, their reasons for moving to Washington are often similar.

Take one small, but extremely important company as an example: RIA. (U.K.) Limited. They research, manufacture and export medical diagnostic kits.

Being a bio-technological business, they needed to be sure of finding exactly the right type of premises. They found the ideal unit within the wide range of properties offered in Washington.

Again, because of the nature of their work, they needed a trained, motivated and responsible workforce. They found that workforce in Washington, together with established, friendly access to local universities, polytechnics and hospitals.

As with all commercial operations, they had to

be sure of reliable local suppliers. They found them: Washington has encouraged a network of first class support industries and services.

And of course, like any business, they needed quick, easy access to their own customers. Washington proved ideal: major road, rail, air and sea terminals are all on the doorstep.

Finally, finance. Any company relocating or starting its business looks for the best financial support. Because Washington offers a finance package unsurpassed by any other development area in the country, companies find that optimum profits are attained very quickly.

RLA. (U.K.) Ltd., are prospering in Washington. If you would like to know more, contact Norman Batchelor, Washington Development Corporation, Usworth Hall, Washington, Tyne & Wear. He's on (091) 416 3591, Telex 357210 DC Wash G. You'll find the outcome decidedly healthy.

in such diverse fields as elec-tronics, metallurgy, ceramics, carbon-fibres and other com-posite materials, eutomated manufacturing methods, and the fundamental even in design of advanced shapes and structures. While these developments while mest developments have been generated primarily by the rigorous requirements of complex military aircraft and engines and guided wespons, more recently the civil aircraft and engine

spearhead for the develop-ment of advanced technologies

wespons, more recently me civil aircraft and engine manufacturers have them-selves been initiating tech-nological advances to meet the increasingly competitive demands of the world's air-lines for quieter, more fuel-officient and lowercost entities efficient and lower-cost equipment,

ment, Aithough advanced tech-nology, in many forms, is being incorporated on all of the new airiners now being manufactured in Western Europe (such as the British Aerospace 146 regional jet airliner, the Fokker F-50 turbo-prop and F-100 twin-jet airliners, and the Franco-italian ATR series of regional airliners), it is probably Air-bus Industrie that is the big-gest user of these new develop-ments. narrow-bodied twin-jet ariliners offered for short-range opera-tions, such as Boeing 737s. and McDonnell Douglas MD-80s. The consequent direct operating costs of the A-320 will also be significantly lower than those of entrenst trijst or twin-engined jet airliners. ments.

Mirbus, the arriner-manu-facturing consortium that inclodes British, West German, French and Spanish share-holders, with associates from other countries such as Holland and Belgium also involved, has been for some time progres-sively incorporating new techno-logical developments in all its products. But the latest A320 150-passenger airliner. for some

150-passenger airbiter. for ser-vice in 1983-89, represents the biggest combination yet of such chniques in one commercial

eroplane. The improvements in the A-320 range start with erro-dynamic advances in sing design (stemming from Britshi Aerospace), embodying the Airbus philosophy of small, highly-loaded wings, offering high provement interfity with high structural integrity with a considerable weight reduction compared with conventional designs.

designs. The result is a highly efficient wing, with weight savings that, benefit the aircraft in all phases of flight. At lower altitudes, flag-small wing area sceps drug the a minimum; while at greater, heights the advanced distribution, in turn providing economical, cruising characteristics equiva-lent to those of bigger wings. lent to those of bigger wings.

The A-320 will also feature electronic filght decks yet seen in any commercial airliner, with extensive TV displays of critical systems information - such as fuel states, navigational details,

A-330/A340 airliners further porate "fly-by-wire" controls, in which the control surfaces (elevators, rudder, allerons, roll improvements. These range from advanced aerodynamic shapes (especially spoilers and all triaming controls, together with flaps and slats) will be activated by electronic signals, instead of by

stemming from the common wing that the A-330/A340 will share), to the greater know-ledge and experience of manu-facture and use of carbon fibre conventional rods, wires and conventional rons, wires and pulleys. At the same time, the A-S20 will make extensive use of carbon fibre ...nod ...KevLar composite materials in much of its structure. The most significant result of this combination of advanced technological developments is that the A-S20, according to Arbos Industrie, will require 45 per cent less fuel per seat to fly than the current generation of narrow-bodied trijet atriliners such as the McDormell Douglas DC-10 and Lockheed TriStar; and between 18 and 32 per cent less fuel than the various narrow-bodied twin-jet airliners offered for abortrange operafacture and use of carbon abre and other composite materials, and of new aluminium alloys such as aluminium lithium, also now being employed in new military siteraft such as the UK's Experimental. Aircraft Programme (EAP) and to be used in the prospective multi-pational Eurofighter.

the engine and arrange math-facturers; and, as a result, the development of prop-fans is sweeping through the aircraft manufacturing industry, but especially in the US, with gathering momentum. Much work still has to be done, but such big airframe builders as Boeing and McDonnell Douglas, and engine companies such as Allison Divi-

Looking even further ahead, significant advances in propul-sion technology are now under sion of General Motors, General Electric and Pratt & Whitney. sion technology are now under development in the new generaare already promising prop-fan airliners of various types for tion of "prop-fan" engines, on which Rolls-Royce of the UK and Snecma, the French aero-engine manufacturers, are the early to mid-1990s. Snecma of France has teamed with GE of the US on the

"unducted fan" (UDF) engine, which, is to be test-flown this summer in a Boeing 727 fijing test-bed. Rolls-Royce is working on various prop-fan designs, including the RB-509 for smaller aircraft for service in about 1994, with an engine for bigger for bigger airliners, such as Jumbo jets, for service later in the 1990s, called the RB-529. But the pace of development of prop-fan engines is acceleralready working. The prop-fan, in essence, is The prop-fan, in essence, is an extension of the already well understood principle of harness-ing a propeller to a gas-turbine engine (is in the famons Vickers Viscount and Britsol Britannia efficient) to give a smoother, quieter and cheaper ride than is obtainable with pure jet engines.

Even in the sivances in technology will be incorporated into the next statistical of Air-bus alrieners now being planned for operation in the early 1905. - the 330 seat shortsto medium range A.S30 and the 260-plus seat A.S40 four-engined long-range airliner.

pure jet engines. The secret of the prop-fan lies in the advanced design of gasturbine engine, giving greater thermal efficiency, and the ratically redesigned pro-pellers, which are shaped more-like ships' screws than conven-tional propellers as understood today. Even in the comparatively short time that has elapsed since the A-320 was ordered into production in the early 1980s, aircraft manufacturing techtoday. The combination of these developments results in a power-plant that will give sub-

and, and if may well be inta-many airframe manufacturers in Western Europe, who are at present behind their US brethren in proposing airliners using this form of propulsion, will have to revise their ideas before this decade is out. Michael Donne

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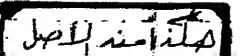
Such advantages cannot be ignored by airlines, and thus by the engine and airframe manu-

unducted fan" (UDF) engine,

of prop-fan engines is acceler-ating, and it may well be that



The Airbus A320 represents the biggest combination of new technology in a European commercial aircraft



THE BEAUTY OF AUSI These four market leaders have at least one thing in common: Austria. They looked behind the dazzling scenery to find a choice manufacturing opportunity in the highly industrial heart of Europe.

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EUROPEAN HIGH TECHNOLOGY 5

Military Aviation

Flying testbeds show quantum leap

PLANS for two new European are more than capable of bring-multi-national advanced tactical ing together all of the advanced combat aircraft are being technologies that will be needed combat aircraft are being pushed forward. One is by the UK, West Germany, Italy and Spain, called the Eurofighter; Spain, called the Eurofighter; the other is by France, with possible collaboration from Hol-land, Belgium and others. Aero-space industries of those countries are alreedy hard at work on what are called the "technology demonstrators" for both aircraft. both aircraft.

both aircraft. In the UK, the latter aircraft is called simply "EAP" for Experimental Aircraft Pro-gramme. In France, the com-parable aircraft is called the Rafale. Both are due to fly this summer, but it is stressed in both the UK and French eero-space industries that they are not intended as specific proto-types for the fighting machines that will follow later. Rather, both EAP and Batalo niques

Rather, both EAP and Rafale are intended to prove to tha governments that will have to put up the money that the European aerospace industries

for the new generation of fighter aircraft planned for the mid-1990s,

Thus, the term "technology demonstrator," coined for this new breed of experimental air-craft, means precisely what it says. In both the EAP and tha Rafale, there are combinations of a wide range of advanced forces. or a wide range of advanced aerospace technological develop-ments, in tha shape of new imaterials and new electronic systems, while both aircraft have also been built with the aid of new manufacturing tech-niques

All of those developments, on the ground and in the air, will be used in the eventual manu-facture of the new tactical combat aircraft now being planned.

As a result, the technological capabilities of the entire Euro-pean aerospace industry and its allied industries, such as elec-tronics, will take e quantum leap forward.

Earlier hopes of schleving including the extensive use of no second EAP (although it is one new advanced combet air- carbon-fibre composites and expected that there will be a craft, for the whole of Western other new materials; the "fiy- second French Rafale). eraft, for the whole of Western Europe, foundered last year as a result of sharp differences of by-wire " system of elactronic control of an aircraft in flight, e result of sharp differences of control of an aircraft in flight, view as to its size, shape and to ensure extreme egility in performance, between tha two combat; and development of an camps led respectively by the advanced electronics cockpit to British and the French aero-space industries and air pilot, freeing him to fight

As a result, work has been The EAP, once past its pushed ahead in the two maiden flight this summer, will separate camps; and it is embark upon an extensive becoming increasingly clear, as series of flights dasigned to the two experimental alreraft prove that in all three areas, the two experimental alcrart prove that, in all three areas, themselves draw closer to their the work done so far bas been maiden flights and the detailed successful, effectively clearing project definition of their re-spective follow on fighters is processes for use in the larger nearing completion, that any and more expensive Eurofighter marriage between the two combet alcraft programme camps is unlikely, if not already still being put together.

Because there is only ona Because there is only ona So. far as the f180m EAP EAP, that flight test programme itself. is concerned, the pro-gramma has been aimed et ex-broad areas. These are: settled) of the Eurofighter Advanced structural design itself will not emerge until and manufacturing techniques, about 1989-90. There will be

Nevertheless, the UK acrospace industry, which has been mostly involved on the EAP, with smaller inputs from the West German and Italian indus-

pilot, freeing him to fight be a successful aircraft. British Aerospace, prima con-tractor on the EAP, says that the extensive use of carbonfibre composites in that air-craft, has led to a reduction of up to 30 per cent in manufacturing costs, due to e reduction in the number of detailed parts.

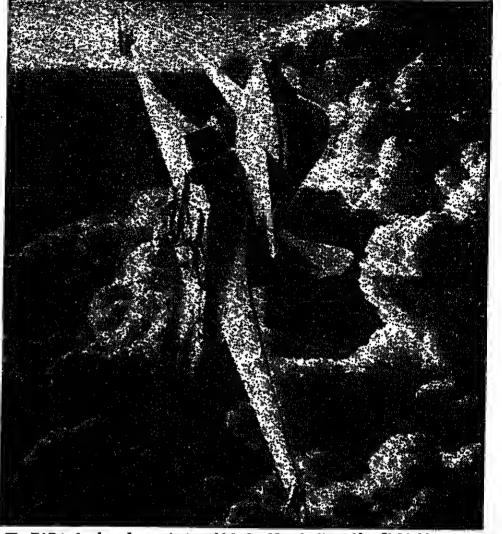
At the same time, there has been an increase in the strength-to-weight ratio in those parts; a reduction in the parts; a reduction in the voluma of waste materials; and an increased ability to produce the large, complex shapes that are nowadays required in advanced military aircraft. But advanced metals are also

being used, such as aluminiumbeing used, such as aluminium-lithium, which has greater strength and stiffness than other aluminium alloys, but with a substantial saving in weight and e higher level of corrosion resistances. Titanium is also being extensively used, but in conjunction with new manufacturing and forming techniques, such as superplastic forming and diffusion ponding.

Superplastic forming is derived by heating titanium (and certain alloys of steel and aluminium) to about 30 per cent of melting point, wherecent of menting point, where-upon it can be moulded more easily into complex shapes. Diffusion bonding involves join-ing titanium alloys et critical temperatures, so as to produce complex shapes that are com-petitive in terms of cost and weight with carbon fibre composites.

Supporting these develop-ments has been an advanced manufacturing technology pro-gramme on the ground, which makes extensive use of comjob. mates extensive use of com-puter-aided design and mann-facture (CAD/CAM), together with extensive automation through numerically-controlled machining and the use of robotics.

The result is that the complex shapes needed for advanced military aircraft can be produced in one-fifth of the time previously required, with savings of up to 70 per cent in on-board computers. unit costs and big reductions in All these developments will acrospace industry for the stocks and the amount of work have considerable significance part of the next 20 years.



The EAP technology demonstrator which should make its maiden flight this summer

not only for military aviation —for they will influence other aircraft besides the new genera-tion of advanced fighter air-craft now planned—but also in civil aviation. Aircady, much of the work done on the development of new techniques for military aircraft is spilling over into civil aircraft develop-ment and production, and this trend can be expected to in progress. Aboard the EAP itself, the "fiy-by-wire" system simply means using electronic signals in place of conventional wires, rods and pulleys to ectivate an aircraft's controls. As a result, the control surfaces (rudder, ailerons and elevators) and even entire wing sizes, can be mada smaller, because they become more efficient. This in turn leads to reduced drag, requir-ing smaller, lighter engines burning less fuel to do the same Similarly, the advanced cock-

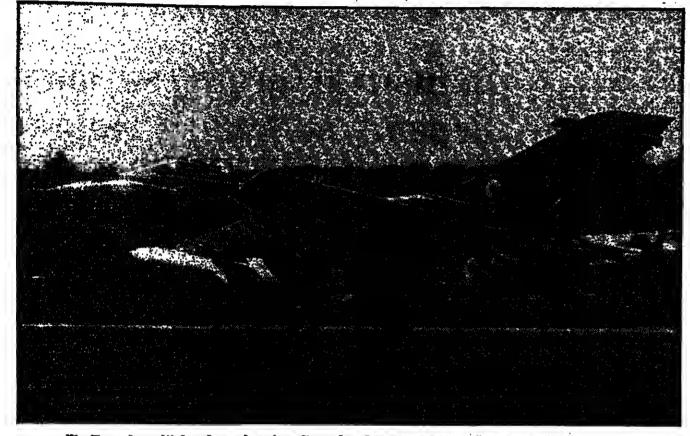
ment and production, and this trend can be expected to accelerate in the years ahead. What is also significant is that the forthcoming genera-tion of new tactical combat air-craft will be the last such aircraft types this century in Western Europe—the costs of such developments will pre-clude any additional fighter aircraft programmes until well into the next century. Similarly, the advanced cock-pit devised by the electronics industry for the EAP will make life much easier for the pilot, by enabling him to read critical information about his aircraft's functions on coloured cathode ray tubes instead of on myriads of dials. He will also be able to call np information et the touch of e button, as a result of the extensive use of small, on-board computers. into the next century.

For that reason, what is being done now, under military bud-gets, to develop new techniques of manufecturing and in airborne technology, will be sub-stantially what prevails in the acrospace industry for the best

This simple fact is driving the aerospace industries of Western Europe hard in the search for new techniques of manufacture, new materials and new ways of flying.

While it would be wrong to suggest that, between now and the end of the century, there will not be substantial further advances in aeronautical engin-eering and technology, those that do emerge (outside the EAP and the Eurofighter) will probably have to be largely funded privately by the aero-space industry itself, for mili-tary research and development budgets will be severaly re-stricted.

For this reason alone, the entire aerospace and ancillary in-dustries in Western Europe are putting much faith not only on the EAP and the subsequent Eurofighter, but also on its rival in the French eerospece industry.



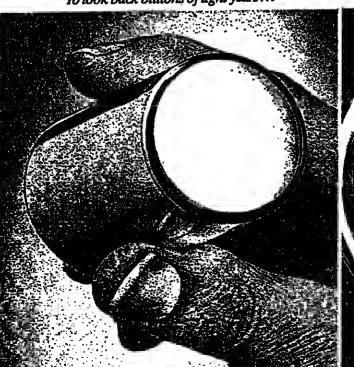
The Tornado multiple-role combat aircraft, produced for the UK, West Germany and Italy

Exploring new frontiers in bearing development.

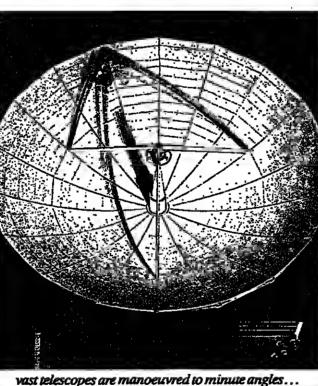


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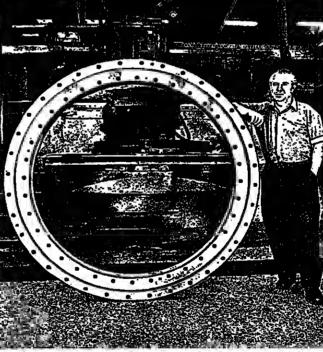
To look back billions of light years ...



is demanded for every single component...



successfully achieved through computer design



and at speeds so exact that near perfect bearing precision



and microscopic testing for accuracy to 1/10,000 mm.

If you think the human ear is a sensitive organ, consider an instrument that picks up radio waves generated thousands of millions of light years away.

Today's telescopes measure up to 80 metres in diameter. Vast dishes weighing nearly 2,000 tonnes are computer-manoeuvred to angle settings calculated to a thousandth of a degree. Absolute accuracy is required not just to turn them, but to turn them at speeds to match the rate at which the sun crosses the sky.

Precision equipment of this standard demands precision hardware to match. And few components are more crucial than the bearing.

For such an immense instrument, the contact areas between bearing rollers and rings are minute. And the pressure is more than nine times greater than at 4 kilometres below sea level, the deepest a submarine has ever been.

SKF has been keeping pace with high-tech developments for years. Creating more and more advanced designs in line with the industry's constant evolution. Exploring new frontiers in anti-friction bearing technology.

Down to the micro-world of the bearing

Our search for new answers takes us deep into the micro-universe of the bearing-where micro-changes of a 10,000th of a millimetre are now common-place. And new bearing designs can yield energy savings of up to 80%.

For this, high standards of metal-working precision are required - and 'near-absolute' accuracy has to be maintained from steel purity through computerised design to application.

Now, by harmonising new theory with the reality of new technologies we have shown how bearing life-and reliability-can be prolonged nigh on indefinitely.

75 years of close customer co-operation has given us the expertise to create a virtually boundless programme of ball, cylindrical, taper and spherical roller bearing types in some 25,000 variants. From miniatures weighing three hundredths of a gramme to giants weighing 500 million times more. Assuring our customers worldwide of the exact bearing for every application. And ultimate reliability.

At SKF, the quest for greater and greater refine-ments is never-ending. SKF is probing, like the telescope, a universe with virtually no limits.

GC 6/1

SKF. The exact bearing.

SKF

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EUROPEAN HIGH TECHNOLOGY 6

Biotechnology Tailoring to commercial needs

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BIOTECHNOLOGY IS an amalgam of skills in cultivating live cells and micro-organisms developed to a high degree of perfection by the pharma-centical industry in its search for new antibiotics, cortiscos-teroids and vaccines. With the arival of genetic enginering and monoclonal antibodies in the mid - 1970s, opportunities monocional antioutes in the mid - 1970s, opportunities emerged to tailor products more precisely to the com-mercial need, and to expand the horizons of biotechonolgy.

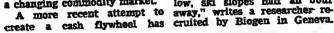
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The companies which recog-nised clearly bow long and costly was the journey to market for the products of the new biotechnologies were those which had already exprienced the agonies of introducing the older ones. Those who spear-headed the drive to exploit the new biotechnologies, however, were entrepreneurs unhampered were entrepreneurs unhampered by earlier experience and driven only by their confidence of solving some of medicine's more

"cash flywheels" — something that would ensure steady re-venne from biotechnology to meet the vocious appetite of the new science. ICI put its faith in a new animal fedstuff, Pruteen produced by the large-scale cultivation of a bacterium fed on methanol. Technically, It was a tremendous achievement but commercially it ran foul of a changing commodity market. but commercially it ran foul of a changing commodity market.





Refaat el-Sayed, who built up Fermenta



Gerard Fairtlough, chief executive of Celltech, the UK "bio-entrepreneur" with US and Japanese com-

solving some of medicine's more chalenging problems. Those few who sought to "cash flywheels" — something that would ensure steady re-venne from biotechnology to meet the vocious appetite of the own propaganda, this dis-gruntied researcher told New Scientist. was an attempt to Biogen

repeat in Europe a formula pionered in California for find-ing fast tracks to translate opinion in Sweden. 'We ware young, ambitious and naive . . . we were offered phenomenal salaries, taxes were low, ski slopes half an bour away," writes a researcher refront-line science into profit. rront-une science into protit. Interferon was its most exciting prospect and, sciré di-ficaly, it achieved wonders in turning the discoverles of Zurich University into com-

US market.

benefit a rew pro-No readily recognised pattern can be distinguished in Europe's progress with the new "enabling technologies" of biotechnology. Nor is there any strong evidence yet of a common will to meet the evident threat of Japanese and US enthusiasm for the commercial enthusiasm for the commercial structure of commercial enthusiasm for the commercial common biotechnology in the N.M. Rothschild trust specialising in biotechno-logy shares. Of about 30 un-quoted investments, only two so function in the commercial common biotechnology in the commercial enthusiasm for the commercial common biotechnology in the commercial enthusiasm for the commercial common biotechnology in the commercial common biotechnology in the commercial enthusiasm for the commercial common biotechnology in the

-have been backed by the trust in the whole of continental European science offers some excellent opportunities—one is the work of the Pasteur Insti-Europe. But Europe has several oldertute in France on the diagnosis established biotechnology comand preventiou of Alds-but the best chance of success for European new blotechnology panies with world reputations in European new blotechnology specific techniques, including firms seems to lie in good deals Pharmacia in Sweden with sep-

eration technology sought by almost every new biotechnology company. Gist-Brocades is a re-search-based Dutch business specialising in enzyme technology, an enabling technology which it applies successfully to a spectrum of industrial activities from food processing to the clean-up of wastes. Nova in Denmark is known worldwide as a dependable source of insulin and of industrial enzymes, both requiring high biotech-nology skills.

One new British biotechnolog company, Agricultural Genetic Company (AGC), of Cambridge, bas found European backing for its venture into the genetic manipulation of crops, to im-prove productivity, pest resist-ance, hardiness and freedom from disease. Its science is from disease. Its science is drawn predominantly from in-stitutes of the government-funded Agricultural and Food Research Council, Its commercial backing includes such Euroand Ciba-Geigy, the Swiss chemicals company.

panies. Celltech, the leading British response to the crop of Cali-fornian blo-entrepreneurs, has secured in only five years a sig-nificant cash flywheel by apply-ing UK academic skills in mak-AGC is also a member of a AGC is also a memoer of a new kind of consortium, that Britain is pioneering, to try to persuade the agri-food industry to take a longer-range view of research than it has done tra-ditionally. Of the 15 founding ing monocional antibodies on a scale no-one else can yet match, and exploiting this talent in the members of this biotechnology research consortiums, 11 are US market. The revenne helps sustain its cash-hungry research pro-grammes for the development of novel pharmaceutical procompanies, among them such European multinationals as European multinationals as Ciba-Geigy, ICI, Royal Dutch-Sbell and Unilever. The other four are British end other four are British academic insti-tutes, which are participating in

funded equally by the 11 com-panies and the British Government The target of this research is

have been founded on applica-tions of wood, metals and plas-tics, future progress in indus-trial, activity, may, well depend on a range of materials, includ-ing, nayel forms of ceramics, polymer alloys and composites reinforced by exotic fibres. This new materials are un-likely ever to replace the mare traditional substances in every part of, say, a car, machine tool or computer. Increasingly, how-ever, crucial and high-value components of such mechanisms will be made using relatively small quantities of the novel materials. These will be chosen either for useful structural pro-perties, such as low weight and high strength, or for specific electronic charactaristics not found in traditional sub-stances. is a genuine business and not just another "research bontique." Celltech is the star of a small crop of perhaps two dozen new biotechnology companies in Britain form since 1980. Else-valuable crops. If it succeeds, Celltech is the star of a small crop of perhaps two dozen new biotechnology companies in Britain born since 1980. Else-where in Europe such firms are rare, "We don't have too many proposals," scknowledges Mr David Leathers, investment director of Biotechnology In-vestments, the N. M. Rothschild trust specialising in biotechno-

the same kind are already taking place. One is a six-member club to study the technology of enzyme supple-ments for animal feedstuffs. Another-just a gleam in the eye at present-is a club that will study the limiting factors on the performance of crops."

David Fishlock

Examples of such trends in important world markets in-cude the growing use of car-bon abre composites in items such as structural completents for aircraft, the arms of record players and co-ordinate measur-ing machines, parts of X-ray treme brittleness. So enorts are under way to reduce their tendency to snap by finding the right mixture of elements to the crystalline matrix that ing machines, parts of X-ray machines and high-strength fish-Ceramic materials, such as aluminium oxide, silicon car-bide and silicon nitride, are inding applications in areas where high strength and good beat resistance are needed; for instance, in components of gas turbine and internal combus-tion engines. New combinations of poly-mers, set in strong fibres such as aramid, are in wide use in the car industry for items like body-panels; while novel electronic materials can be seen in crucial components. of mechanisms, ranging from TV sets to mili-tary radar. Ceramic materials, such as Partially stabilised zirconia (which machine tools and in other engineering compon welding nins, balls, valves and sealing rings. Another_ important user of ranging from TV sets to mint. tary radar. Where does Western Europe: stand in novel materials? In the important area of engineer-ing ceramics, which account for anonal world sales of about \$6bn this year (a figure fore-cast to treble by the early Another, important user of the materials is the electronics industry. It buys ceramics for applications in substrates for integrated circuits and in housines for diodes and thyristors. Heat-resistant ceramics (used, for instance in furnace linings) cast to treate by the cast, 1990s, Europe is some way be hind the US and Japan, both in terms of use of the substances and in research and developfor instance. in turnace indices) and ceramics used for their chemical inertness (in hin joints and other biomedical "spare parts") are also im-portant. Among the Important producers of engineering ceraand in research and develop-ment. In other areas—thermoplastic . composites, for example—the picture is less gloomy. Accord-ing to a recent series of re-ports" from IAL, a Londan-based consultancy, the Euro-pean car industry, particularly in West Germany, has made im-portant strides in these materials in recent . years. Applications of the substances may be starting to spin out from this sector into other areas of industry, including electrical machinery and domestic and In electronic materials, such as chemicals based on elements like gallium and indium, for ice gallinm and indium, for the in optical fibre transmission ind other avolications of prodectronics, Europe is, again in a reasonably good position. In the product of the continent's generally strong chemical in-dustry should be well placed for move, gradually, into the development of, other materials issetul' for their electronic projection. Inquic crystals, use ful in computer displays, and small-screen TV sets, for mall-screen TV sets, for Of all the exutic materials that are finding novel applica-tions around the world, engineering ceramics stand out as being particularly versatile. being particularly versitie. Ceramics, many of which occur naturally and are defined as non-metallic inorganic crystal-line solida" with good fiest resistance, have been used for thousands of years in applica-- 79 tions, such as bricks and Engineering ceramics 313 se forms produced by non traditional processes, and in developments centre which mainly on finding novel mixtures of elements to provide a mistance of a chosen property. ses such as hot Using proces pressing (where stati materials like granules . . of

WHILE ERAS of industrial expension over the past 200 years have been founded on applica-

tions of wood, metals and plas-

R & D spending on engineering

Cell culture processing to produce monocional antibodies

Materials

Industrial progress may

ceramics (1985)

France :. Source: IAL

Sm 300 Japan US West Germany

mides of magnesium, alumi-nium or zirconium are fused under controlled conditions) and sol-gel processing (a chemical method of achieving the same end), scientists can produce a range of ceramic materials that exhibit charac-

teristics almost to order. The strength of ceramics and their resistance to heat and wear are offset by their ex-treme brittleness. So efforts

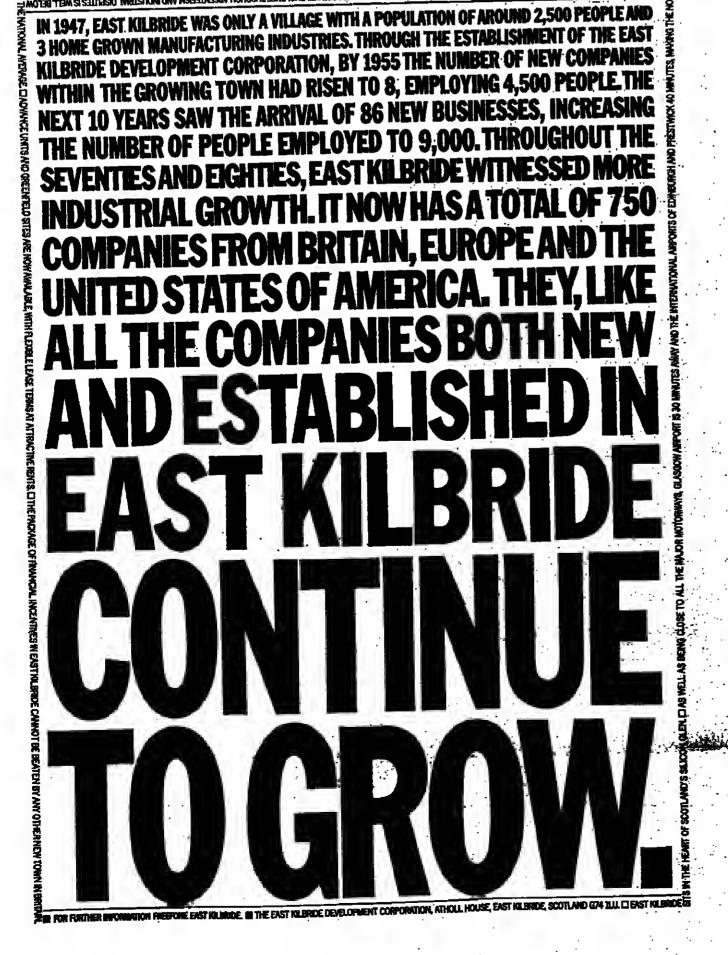
for example, to give a s

depend on novel range mics in Europe are Hoechst Ceramtec in Germany, Rhone Ponlence and Pechiney in France, and Morgan Matroc and Fairey Tecramics in the

and Fairey Tecramics in the UK. In the area of composites, fibres made from glass, carbon or aramid are used to reinforce other materials. Once again, composites are anything but new-strawreinforced bricks and plaster laid on a mat of reeds have featured in buildings since prehistoric times. It is the combination of different types of materials in a wide range of composites that is new.

range of composites that is new. Usually, the fibre is embedded either in a thermoplastic (a polymer such as a polycar-bonate, or a polyamide which softens on application of heat softens on application of heat in a reversible process) or a thermoset plastic, such as an epoxy, which sets hard in an irreversible, curing process. Finding the right ingredients for a particular job, can be a à daubting challenge. Evenuently commuter-aided

Frequently, computer-alded design is used to ensure the optimum layout of the reinforcing fibres in the mix-



possible. Often, the novel sub stances are much more expen-sive than conventional materials contains minnte amounts of yttria or maguesium such as metal or alloys, and such design, methods permit oxide) is especially good at re-sisting the formation of cracks. In Western Europe, sccording to IAL, applications of enginthem to be used sparingly but to maximum advantage. eering ceramics in wear-resistance account for 45 per cent of the total market, which is thought to be worth roughly \$700m a year. Such applications are in the cutting elements of

Leading European companies involved in thermoplastic composites include chemical con-cerns such as ICI, Bayer and Cerns such as ici, Bayer and Bast (which provides the poly-mer base for the materials), and Specmat; Fothergill and Harvey, Symalit and ATO (which pro-duce either the woven reinferce-ment or the finished composite). ts, such as

Aerospace and car companies, such as Aerospatiale, British Aerospace, Porsche, BMW and Audi, are also building up strengths in fabrication of the

completed substance. *Advanced Engin Materials in Europe. Engineering Materials in Europe. Reports on Ceramics and Thermoplastic Composites. £6.000 for two reports. IAL 14, Buckingham. Palace Rd, London SW1W 00P. Peter Marsh



BASF invested DM 1.36m in R&D in 1983

THE EUROPEAN EXPERIENCE Science Parks Technonoles and **Innovation** Centres

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THE PARC POINT AND A POINT AND A POINT AND A POINT A P COTSWOLD, H

Finançial Times Monday June 30 1986

EUROPEAN HIGH TECHNOLOGY 7

Government R & D Funding as % of GDP

Austria	1981	1982	1983	1984	1985	•
Belgium	0.50	0.52	0.53	0.53	0.55	•
Denmark	0.62	0.63	0.58	0.57		
Finland	0.49	0.47	0.51	0.50	_	
France	0.57	0.60	0.61	0.62	0.63	
Germany	1.31	I.32	1.41	1.47	_	
Greece	1.15	1.21	1.14	1.13		TW
Ireland	• 0.21	0.20	9.22	0.13	_	que
Italy	0.40	0.39	0.41	0.30		futi
Netherlande	0.65	0.64	0.71	0.72		trie
Norway	0.98	1.06	1.01	0.97†	0.94†	und
Spain	0.75	0.79	0.77	_		T
Sweden	0.27	0.2g	0.26			and
UK	1.15	1.23	1.31	1.31		deve
US	1.41	1.33	1.33	1.35	1.34	the
Japan	1.15	1.10	1.18	1.22	1.30	that
	0.64	0.63	0.63	_		eno

Total R & D Spending as % of GDP

			43 /0		DF
	1981	1982	1983	1984	1985
Austria Belgium	1.17	1.22+	1.23+	1.25†	1.27†
ocigium	_	_			1.41
Denmark	1.07	1.137			
Finland	1.10		1.32	_	_
Tance	2.01	2.10			_
Germany			2.15	2_22+	2.27†
ireece	2.48	2.58†	2.58†	_	
reland	0.21	_		_	_
taly	0.75	0.75	_	_	Ξ
	1.01	1.04	1.20+	1.19	_
Vetherlands	1.88	1.98	2.037		
orway	1.29	2.00		2.00†	_
Spain	0.39	_	1.41†		_
weden	2.22	_			_
ЛК			2.47	_	_
IS	2.42	_	2_27+	_	_
	2.51	2.66	2.70	2.70+	2.80+
apan	2.37	2.47	2 61		

purce: OECO/STILU Oata Bank-Septe

Greyhounds and tortoises of spending

Research and Development

WO UNDERLYING fears fre-spends yearly on R and D, the bendy crop up when the US, western Europe and Japan ture of science-based indus-ies in western Europe is ratio 5:3:2.

Of greater importance than he first concerns the type The first concerns the type d amount of research and velopment carried out within a continent. The worry is at Europe may not be doing scientific expertise com enough to repleniah its reserves of scientific expertise, com-pared with Japan and the US. The second fear is over how the results from research and The second fear is over how be results from research and evelopment are diffused into adustry in the form of new roducts or processes. Accord-of to many observers for a

levelopment are diffused into ndustry in the form of new roducts or processes. Accord-lg to many observers, for a respectively. These figures hide, however, who in Europe are the grey-hounds and who the tortolses. Between 1967 and 1982, accord-ing to an analysis^{*} by Bari ing to an analysis* by Pari a Patel and Keith Pavit, of the Po Science Policy Research Unit

variety of reasons, more con-nected with culture and tradi-tion than with technology. Europe has more difficulty than Japan and the US in making thia process as smooth as possible. First, the levels of cash themseives. The hald atatistics Europe invests in R and D about 12 per cent less per head than half the comparahle sum in the US. Of the \$200bn or so that the developed world

a lot better. The picture in Europe not only varies between individual nations but between specific industrial sectors, as the SPRU researchers discovered. By an analysis of patent statistics, Patel and Pavitt found that, in areas such as chemicals, machinery. cars and aircraft, European research was holding up pretty well compared with its international rivals. Businesses in Europe are as

Businesses in Europe are, as a result, in a favourable position — et least if they can manage the transition between research and products — to exploit advances in newish areas related to these discip-lines, food sciences, hiotech-nology and some aspects of factory automation for instance.

According to the SPRU innovative activities. results, the US is atrong in One result of these general-research related to natural sentiments is the 18-nation reaources (gas and oil, for Eureka programme, launched example), metals, farm just over a year ago on the machinery, electrical wiring initiative of France.

per cent respectively. If these and aircraft; and weak in last three countries could plastics, engines and industrial improve their performance, chemistry. European weak-then the overall position of nesses include just the areas Europe in R and D would look where Japan is strong — a lot better. instruments, radio and TV. The picture in Europe not electronics and office comput-ing. Under Eureka, companies from different European countries are dne to work together on a series of projects in advanced technology, financed by varying proportions of government grants and cash

on the question of commer-On the question of commer-cial gain from research cash, there is general consensus that throwing larga sums of tar. So far, 26 individual Eureka projects have been approved, spanning technologies like spanning technologies like spanning technologies like technology is not enough. The political emphasis instead, technology is not enough. The political emphasis instead, and a variety of mechanisms Europe can pool some of the together to ensure that the R and D is properly exploited. Other ideas are to cajole, by a series of measures, more pri-vate concerns to invest cash in from industry itself.

European Commission plans to boost its own research spending over the next five year.

a series of measures, more pri-vate concerns to invest cash in research, and to bring tech-nology-orientated companies closer to academic research groups in the hope that this will lead to a greater level of innovative activities. One result of these general-sentiments is the 18-nation Eureka programme, launched just over a year ago on the over the next nve year. The commission wants agree-ment from the 12 EEC states to increase its yearly spending from the current level of about - \$950m (1bn European currency units) to almost twice this sum over the years 1987-1991. Pro-jects such as Exprit, in which universities and companies

work jointly on research pro-jects related to electronics, would be the main bencficiaries of the new programme.

VШ

Of interest to R and D plan-Of interest to R and D plan-ners is that the amounts of cash put into the activity by private industry varies markedly from country to country. In Japan and Germany, businesses con-tribute about 60 per cent of total R and D; in the US, the figure is 50 per cent (and ris-ing); while, in France and Britain, industry manages to stomp up only about two-fifths of the total bill. Measures to persuade more

of the total bill. Measures to cersuade more industrialists — and their share-holders — that putting cash into research is an activity worth pursuing could pay off hugely in both Fraoce and Britain, both by increasing the total sums spent and in ensur-ing that a higher percentage of the total is geared to projects of real commercial significance. * Measuring Europe's Techno-logical Performance: Results and Prospects, hy Pari Potel and Keith Paritt, Science Policy Research Unit, Sussex Univer-sity.

sita.

Peter Marsh

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† Estimates

Robb Wilmot (left) and Robert Heikes, leaders of European Silicon Structures

Venture Capital

Fund crosses frontiers

VENTURE CAPITAL is held by European politicians to be a potentially important aid in attempts to catch up with the

Investments by Industry Sector

Departmental Computing. It can create some strong ties between your people.

It's a well-known fact that people work better when they work together

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	Prime	Your System
Solves your business problems, not just technology problems.	1	
Lots of different people can do lots of different jobs at the same time.	1	
Data base products that are easy to use		
Range of computer sizes to suit any size office.	1.1	
Communications: Workstation to Dept. Dept. In Mainfrance	1	. .

-

US and Japan in the commer cial exploitation of high tecbnology.

Having seen how US venture capital bas played a part in the rise of sucb important comas Apple Computer, panies Wang Laboratories or Compaq, Europeans are naturally keen to repeat the process at home.

In Europe venture capital is still in its infancy compared to its US counterpart, bowever, and unlike the US risk invest-ment industry it faces the problem of how to belp its small high technology investments to tackle the national barriers and differing technology standards within Europe.

The European Commission recently sponsored two trans-national technology funds, but the idea of using venture capi-tal to foster cross-frontier links between small high-technology companies or to form pan-European start-ups on a scale to compete with US equivalents generates more idealistic talk conclude than action. national partners.

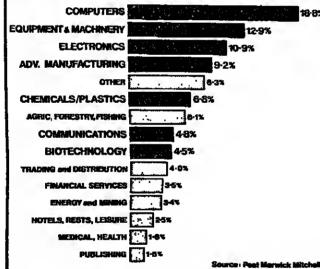
A notable exception came It pointed out that Ecu 1.5hn was invested by European venlast year with the formation of European Silicon Structures, a ture capitalists in the four \$65m European custom micro-gent start-up venture with 2,000 transactions—of which operations in Britain, France Ecu \$21m was syndicated in 808

and West Germany. Led hy Dr Rohh Wilmot, former chairman of the British former chairman of the British computer group ICL with Mr Robert Heikes, head of the US group National Semiconductors' European operations, the enter-prise raised funds in six Euro-pean countries and is among the most visionary high tachnopean countries and is among the most visionary high techno-logy risk investment aver attempted in the Community. The impact made by European Silicon Structures was also a the US market.

The impact made hy European Silicon Structures was also a reminder of the venture capital industry'a most often heard complaint; that good-quality technology investments are piti-fully few. Some more experienced funds are responding to this prohlem by creating their own deals. The recruiting managers to put into effect an internally generated business plan. Advent, the London-based venture capital group, for instance, took a larga group for instance, took a larga group, for instance, took a larga group for instance, took a larga si licen Structures as well si investing in it. But not many other European their desks. Tha perceived shortage of good quality proposals is illus-trated hy a survey hy the European Venture Capital Association, which estimated that a little over balf of the share of the venture capital share of the venture capital share of the venture capital

Association. which estimated that a little over balf of the Ecu 7bn (f4.3bn) of venture Ecu (on (14.55h) in the com-capital available in the com-munity was actually invested munity was actually in small businesses.

in small ousinesses. The report said that al- pean venture capital invest-though syndication of invest- ment, followed by equipment



ments between European counand machinery with 13 per cent tries was getting more com-mon. "The tendency is still to electronics with 11 per cent. and advanced manufacturing techniques with 9 per cent. arrangements with

Some critics argue that while European universities and research establishments are teeming with bright ideas, the problem is that venture capitalists

are too averse to risk. Just how difficult it is to encourage investors to take the deals. Just over 10 per cent hy value of those deals were made kind of risks required for tech-nology funding is shown graphiwith foreign partners, the survey suggests. To put that into perspective, internationally syndicated in-vestments account for roughly 20 per cent of US venture capital, where if anything the cally by the teething pains experienced by the UK Business Expansion Scheme. Set up in 1984 to foster individual risk Investment hy offering private investors tax relief for backing pressure on small high-tech-nology companies to attract overseas investment should he unquoted ventures, the BES followed the troubled Business Start-UP Scheme, which was less because of the vast size of dishanded hecause it was so restrictive that it ettracted scant interest.

The BES certainly attracted more interest than its predeces-aor - £241m invested in 1,400 companies in the BES's first two years—but only a small fraction of that has gone into the riskier

high-technology investments. sleanwhile, a growing proportion of British institutional (as opposed to individual) venture capital is heing attracted by the current fashion for management huy-outs of large established ventures, typically with no tech-nology risk. Buy-outs took 3S per cent of UK venture capital last year, up from 28 per cent in 1984, according to the research consultancy Venture Econom

The daoger, says Venture Economics, is that the oppor-tunities to make quick profits afforded by huy-outs could divert investment away from quality are few, high-technology early-stage ventures, which companies are getting a fair early-stage ventures, which share of the venture capital could be bad oews for entropre-dishursed. According to EVCA, neurs, seeking to finance the commercial exploitation of new computers and related products commercial of account for 19 per cent of Euro- technologies.

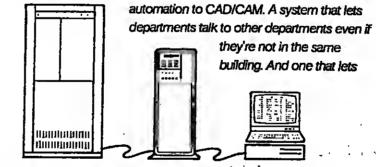
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Will Dawkins PRIME and the Photo logo are inso

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EUROPEAN HIGH TECHNOLOGY 8

and a second second

Collaboration

Sceptics set for fight

the EEC system.

EVERYONE AGREES on the government programme outside problem hut few can agree on the prescription. That is the classic dilemma for European co-operation on research and development in new technologies.

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Europe is in danger of falling for European R & D is to Ecu 1,000bn (almost the same figure in dollars) on research support from many of the other the Netherlands. and development, Japan about member states, including Italy The research covers five key Ecu 330bn, and all the 12 and the Benelux countries. areas of advanced micro-member states of the EEC com- They see the opposition of the electronics, advanced informa-tined about first 1970 in the set of the sector of the electronics areas of advanced informa-

butors—are likely to try to cut therefore be one way of re-those plans back by at least balf. ducing Britain's net contribu-That hattle is set to rage in the tion to the Community. EEC Council of Research Ministers for months.

The sceptics have two major bureaucracy, or that it is pro-criticisms: they fear the hand posing anything excessive in of the Brussels bureaucracy, absolute spending on co-compounded by institutionalised operative programmes. multi-national decision-making; To get around the rigid lines and they are dubious ebout the of responsibility between dif-merits of simply pumping ferent divisions, it created the public money into officially. Information Technology Task ublic money into officially. Information Technology Task spiried programmes. Force under Mr Michel Carpen-France falls mainly into the tier, with the prime objective inspiried programmes

of promoting its flagship pro-gramme: Esprit (the European first category, and was the original inspiration of the alternative Eureka programme, Programme for Research and designed egainst the opposition Development in Information of Brussels to be an inter- Technology).

Most participants have been enthusiastic about the achieve-Britain shaares that concern ments of Esprit, intended to --and the government also finance co-operation schemes doubts the wisdom of simply for pre-competitive research: et "throwing money at the prob- one remove from development lem." They believe the answer for the market.

the development of advanced in private sector will invest with-hio-technology, or telecom-munications. Over five years, the US is likely to spend about the state. In the technology advanced in the state. In the technology advanced in the state. In the technology advanced in the tech-munications. Over five years, the technology advanced in the state. In the technology advanced in the state. In the technology advanced in the state. In the technology advanced in the technology advanced in the technology advanced in the technology is the technology in the technology in the technology is the technology is the technology in the technology is the technolog It was initiated by the Com-The Commission does have STET of Italy, and Philips of

Ecu 330bn, and all the 12 member states of the EEC com-bined about Ecu 430bn. In per far bebind. The European Commission argues that part of the solution is a big expansion of co-operative programmes financed from the Brussels budget, designed as a seedbed for other projects across the Community. It plans to more than double in the the solution is a big expansion of co-operative programmes financed in the solution is capital technological challenges interest of countries. The solution of the solution interest of countries which is a big expansion of co-operative programmes financed is a a seedbed for other projects across the Community. It plans to more than double is on its own."

conditions."

designed as a sector of the community. It plans to more than double today's technological country is a consortium on its own." Budget, from the present There is, moreover, a division of opinion in the UK of semi-conductor manufac-five-year programme costing ebout the merits of European Ecu 10.3bn in 1987-91. The response of at least three to be the programmes. More the sector base heen to be programmes. More the sector base double to Britain than the the sector base double to be the sector based companies to the traditional to the traditional to be the tr West Germany-the three who are based there. An increase consumption and bigher speed will end up as the major contri- in the research budget would circuitry than the traditional butors-are likely to try to cut therefore be one way of re- silicon chip;

> The Commission strongly re-jects occusations of excessive media message bandling-the Office Document Architecture, and Office Document Interchange Format:

• A breakthrough in the design of digital signal processing chips, known as a silicon compiler, a software programme which antomatically converts specifications into an opera-tional chip in less than one

tions system in Europe for the future-wideband communica-tions in which voice, data, visual and text transmission will be integrated. week. "Esprit has created the tions in which voice, data, visual and text transmission will be integrated. of mutual trust, which has enabled someone like Mr Robb technologies to make hroad-

Wilmot to launch ES2 (Euro-band communications a reality pean Silicon Structures)," says Mr Carpentier. "Esprit is not enough. It is manufacturers, broadcasters and one good thing for the promo-tion of new technologies. Now it might find the right market university researchers.

Brite in his clutch of acrohymic programmes to promote—Basic Research into Industrial Tech-nologies—and a bio-technology support programme. The new framework pro-gramme is intended to shift the The second phase of Esprit, which the Commission wants to bring forward, would be closer to the market place in terms of project selection — as Eureka projects are supposed to be.

However, other work needs to be done in removing barriers The present programme allo-cates 47 per cent of funds to to trade, which is the funda-mental job of the Common Market. Agreeing on common-standards for new technologies energy programmes, including nuclear energy and alternative sources. That will come down to 21 per cent in the Commission's is therefore another prime function of the Task Force.

The latest programme to be launched is Race-Research in Advanced Communications for Information technology, tele-communications, bio-technology and marine technology would take 60 per cent of the new funds compared with 28 per Europe—with a definition phase started last December cent of the old,

40m. The aim is to agree a com-on basis for the telecommunicathe amount of cash member states will make available, and the relationship between Eureka (as yet rather wague) and the EEC programmes.

to the world of industry have cours under immense study all over Western Europe.

REPAIR AND REPAIRING A DOMESTIC

over western Europe. Industrial managers, politi-cians and local authority plan-ners have all found they have an interest in assisting the transfer of these ldeas, to bring cess by university-trained scientists and engineers in setting up in business bas several effects not related simply to the about wealth-creating new businesses and breathe novel approaches into existing in-

economic activity in which they are engaged in the new enter-prise. The success of such men and women in a new area auch One factor behind this trend the pace of technical change. In a number of areas, such as micro-electronics, biotechnology and the study of the physics as computers can, be says, change people's attitudes to manufacturing activities by showing that industry can in-volve the very latest ideas.

Search.

micro-electronics, blotschnology and the study of the physics and chemistry of materials, even the biggest companies have found it difficult to keep up with these advances using their own laboratory resources. Hence the moves by such com-panies as ICL in Britzin, Siemens in Germany and Elec-trolux in Sweden to strengthen links with university research groups, in 'a' bld to bring to their existing operations' new technical approaches. It can often be in the in-terests of the universities them-selves: to 'seek, closer contacts with companies, both to keep their research firmly linked with the needs of the outside world and to earn useful casb through industrial contracts. In the UK, Surrey University is among several academic insti-tutes that have set up a research. "club" to which in-dividual companies can belong for a set yearly fee. The commercial concerns, which in Surrey's case include international businesses such as BOC. Grand Metropolitan and their ideas. tremely visible across Western Europe, local government departments and academic establishments are becoming keener to assist the mechanism

of technology transfer by the vehicle of "science parks," The name applies to any kind of industrial estate built near to a university or polytechnic which in Surrey's case include international businesses such as BOC. Grand Metropolitan and the Kuwait Oil Company, can gain guick access to research results from the university de-partments and can engage academic staff for one-off con-

academic staff for one-off con-sultancy contracts. Another way in which ideas from the academic world can reach the arena of industry is for the academic concerned to set up a new company to com-mercialise e novel strand of research.

the US, where academics rever-ally find it relatively easy to move into business (and where

IN RECENT years, techniques tha notion of a university re-to improve the flow of Ideas searcher, with his own part-time five West European countries from the academic environment company, is far from unusual), increased almost fivefold increased almost fivefold between 1980 and 1985, from governments in Western Europe heve been generally keen to en-courage this type of activity. 10 to 47; while the number of companies and research estab-According to Dr. Nick Segal, a UK consultant specialising in high-technology companies, suc-

Industry/Academic Relations

Speed of change and

Financial Times Monday June 30 1986

lishments on the parks more than doubled, from 389 to 887. than doubled, from Sas to sol. The countries surveyed in the reports* were Britain, France, West Germany, Belgium and Holland. Tur

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According to Currie Summan the chief motivators for the parks are local authorities, which see new businesses start-ing up from such ventures as providing wealth and employment that can, at least partially. compensate for the decline of established areas of manufacturing industry.

The science parks are not only places for small firms to operate. Nixdorf, the big Ger-Another effect is to demonstrate to people in traditional areas of industry that not all academics are interested simply in research for the sake of reoperate. Nixdorf, the big Ger-man computer concern, has set up a large office on a science park in Berlin as a way of getting closer to research ideas at the clty's university. In France, Bull and Thomson are properties the companies appropriate

"Search. As a result, industrialists may be less inclined to treat-university employees as "bofins" with little regard for such areas as marketing and product development, and may be more willing to make use of, their ideas among the companies associated with a science park at Metz; while a batch of multi-netionals including Dow and Digital Equipment, have bases on one of France's best-established ven-In a pettern thet is now ex-

tures of this kind, the grandly named International Activities Park, at Valbonne-Sophia Antipolis, near Nice.

Another sign of science parks' attempt to bridge the gap between the big and small sec-tors of industry is the centre set np in Britain by Manchester University.

Four large concerns, Ferranti, Granada TV, Ciba-Geigy, and Fothergill and Barvey, each bave a small stake in the company running the park. The idea is that the little companies that take space on the park will strike up links not just with departments of the university, hut perhaps with the bigger fry

concerns or enabling new ones to set up. Often, science parks (sometimes called "innovation centres" or "technopoles") may be planned with the aid of hanks or venture capital groups, which can provide start up cash to new businesses. According to a recent set of studies from the Currie Sun-man Partnership, a UK consul.





private capital has linked with a UK university

The Barclays Centre on Warwick science park, where

The Commission also has Brite in its clutch of acronymic emphasis much more on to such programmes concerning indus-tried competitiveness.

What has to be resolved is

campus to, bouse commercial organisations. The ideal notion for a science park is that ideas and people from the technology and science departments of the academic centre will spill over to the companies on the estate, help-ing the development of existing concerns or enabling new ones

research. With one eye on the record of

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YOUNG EUROPEANS."

CONTINUED FROM PAGE 1 advantage of the

information technology. Breaking down the long-But many aspects of the standing barriers which have isolated European companies iume are still unclear, not rogra least what it means to be a from each other as well as frag-Eureka project. Some companies menting their national markets is an explicit, objective of Europe's rash of high-technology initiatives. All of them aim to achieve it by foster-ing closer industrial collaborasar, it amounts to not much more than being on e priority list for subsidies from their national governments. More-over, several projects are turn-

ing out in practice to be little more than pro-competitive Esprit, the first of Europe's collaborative projects, has more research because of reluctance among the companies involved to disclose commercially sensi-tive information. collaborative projects, has proven effective in creating new links between companies and academic and research institu-

tions, requiring regular personal contacts between par-A more fundamental question is whether Europe is pinning too many bopes on industrial 12 ticipants in different countries. Indeed, some of those involved believe that the benefits gained from establishing these lines of communication will exceed collaboration and plecing insufficient emphasis on creating insumchent emphasis on creating more vigorous competition as a way of strengthening its bigh-technology industries. Though Eureka pays lip service to the ldez of more open markets, it contains no formal mechanism for achieving them. Diract competition between technological ... advances achieved by the Esprit projects. Exprit is, in any case, aimed at strengthening precompetitive research, which is not geared

Direct competition between Europe's high-technology com-panies in each other's markets has been severely limited until now. In part, this has been due to nationalistic procurement policies which have erosted most cific commercial prodocts. consequence, it does not pt to address European As a consemien companies' most obvious weakinadequate nies of production and policies which have erected pro-tective barriers around defence marketing scale.

Eureka, on the other hand, and telecommunications, two of has been conceived as more of a "downstream" operation, intended to encourage com-panies jointly to develop new products with a clearly defined the largest markets electronics equipment. However, many European companies have been equally market application.

timid about venturing into neighbouring markets for proher this is a feasible goal dacts such as computers semicondoctors, where is uncertain. Certainly, there has been a rush of applications

formal barriers exist. That has from all over Europe to parti-cipate in Eureka. More than 100 left the wey open to their more aggressive American comcomprojects heve been submitted, about two-thirds in the field of petitors to sweep the field. This reticence appears to have

much to do with deeply-ingrained management attitudes in European companies, which have preferred to stick with the comfortable security of familiar bome markets rather than engage in foreign adventures involving a substantial degree of risk.

There are signs that this may be starting to go to change. Italy Olivetti, in particular, has been expanding aggressively on both sides of the Atlantic and is now the world'al third largest per-sonal computer manufacturer.

Siemens, too, has begun to make a determined effort to enlarge its presence in Europe and the US. It remains to be seen

It remains to be seen whether government-sponsored collaborative schemes will edvance or retard these trends. On the positive side, there is, a good deal of evidence that they have played a useful cata-lytic role, imparting an increased sense of urgency to Europe's efforts in bigh-tech-nology and stimulating new pat-terns of behaviour among its industries.

industries.

industries. But there is also a danger that they could degenerate into cosy inward-looking clubs, the main function of which was to attract public subsidies while shielding their members from the painful realities of risk and structural adjustment. So far, at least collaboration is for at least, collaboration Europe has conspicu worked only when nobody bad to make any sacrifices has conspicuor only when nobody conspicuously



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SECTION II - COMPANIES AND MARKETS FINANCIAL TIMES

Monday June 30 1986



Turkey backs \$125m debut with letter of credit

Total

\$0,251,8 45,887,7 17,344,7 17,327,8

Source: AIBD

TURKEY is planning to enter the Eurocommercial paper market for the first time. It has mandated

The deal, essentially a renegotiation of the bankers' acceptance facility arranged by the central bank earlier this year, is an indication both of the continuing improvement in Turkey's credit rating and of the way in which Eurocommercial pa-per techniques can now be adapted to accommodate lesser-rated bor-DWPPS

It carries an annual facility fee of 50 basis points, and the margin on drawings under the accompanying standby credit will be set at 25 basis points over the London interbank nifered rate (Libor).

INTERNATIONAL BONDS

Because Turkey is not a name that would stand up on its own in the commercial paper market, it Bankers Trust International to ar- has borrowed a technique prevalent range a \$125m, one-year renewable in the US, where lesser-rated borloan facility to back up issues of pa-per which will be guaranteed by Pu-ji Bank, writes Peter Montagnon in a commercial bank. Turkey already issues paper in the US, where it has

Sury Market 26,701.6 SPLA 13,195.5 2,109.5 20,204.6 1,2724 13,293.6 4,044.5 19,0057 100.9 1,595.3 2,24.5 19,0051.3 224.6 2,513.2 3,109.9 two programmes totalling up to Its Europaper will actually be guaranteed by Fuji Bank with a counter-indemnity from all the oth-er banks in the facility syndicate. Bankers say this marks a softening of the resistance to Turkish deals shown in the past by Japanese banks because of reserve require-Wook to June 25 1986 ments imposed on lending to coun-

neets imposed on lending to coun-ries which have had to reschedule heir debt. Under the terms of the deal, Turtries which have had to reschedule

key can also raise money through direct drawings of short-term fonds carried a commiss ion of % per cent. it will also be more flexible.

BURGHAMENT TURS Tamover (Sm)

4,458.8 1,338.6 1,887.4 1,873.0

Cedel

12,582,5 12,115,4 3,865,3 8,853,9

Com

786.5 3.5 1.0 0.0

38,083,2 32,682,3 3,178,8 3,394,0

One of the striking aspects of the deal is the speed with which Turkey **NOTES** has moved to renegotiate the terms of a facility arranged as recently as early this year. Bankers say its abil-FRN 2,812.7 2,344.7 130.8 199.2 880.2 1,137.1 141.1 198.7 ity to do this reflects the continuing emand from banks for short-term

business in a market that generally per cent. remains starved of good opportuni-

Last week saw relatively little other new business, though Credit Suisse First Boston is keeping up the pace of its recent succession of mandates for French corporate names. The latest is a \$100m, fiveyear revolving credit for the state-owned CDF-Chimie. It follows an earlier \$250m deal for Sanofi, the

pharmaceutical concern, as well as \$150m, seven-year deal for Michelin, the tyre maker, which carried a facility fee of % per cent and a margin on drawings of % per cent over Libor.

CDF-Chimie is paying an annual fee of % per cent for its operation which is divided into two equal tranches. The first, carrying a margin of % per cent, must be fully drawn before the second is used. This carries a higher margin of %

Also expected soon from France is a \$300m to \$400m deal for Crédit Foncier, the state-guaranteed housing finance agency, while the recent \$300m deal for Thomson CSF has been increased to \$400m. Chemical Bank's credit for Gulf Canada has been increased to \$850m from

Elsewhere, Amersham International has appointed Lloyds Mer-chant Bank to act as dealer in a new £20m commercial paper pro-gramme. Swedish borrowers con-tinue to tap the Eurocommercial paper market, with two programmes

announced last week. L. M. Ericsson, the telecommunications equip-ment group, is raising up to \$100m through a programme for which En-skilda Securities, Shearson Lehman, Svenska International and Swiss Bank Corporation International will act as dealers. Eoskilda is also dealer for a \$50m pro-gramme for Perstorp, the speciality pharmacenticals manufacturer.

Associates Corporation of the US has arranged a \$300m Eurocommercial paper programme for which CSFB, First Chicago, Morgan Stanley, Salomon Brothers and Swiss Bank Corporation International will act as dealers.

First Chicago is arranging a \$30m credit for Banca Popolare di Novara of Italy. This is a five-year deal which bears a margin of 8% basis points for the first year rising to 10 basis points thereafter.

Wood Gundy-Gordon merger cancelled

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Wood Gundy's chairman, Mr Ted

Some senior Wood Gundy em

ployees were concerned that the

the firm "would wither and die."

BY BERNARD SIMON IN TORONTO

A PLANNED merger between tal of C\$250m (\$180m), was viewed Wood Gundy and Gordon Capital as an attempt to reinvigorate Wood Corporation to form Canada's big-gest securities firm has been called international base at a time when off competitive pressures in Canadian The two Toronto-based compa-

financial markets are rapidly ues said in a brief statement that mounting, they had "been unable to reach a Medland, said when the merger was announced that, left to itself, mutually satisfactory agreement."

No reasons were given. The termination of association appeared, however, to be welcomed by Wood Gundy employees. One of-ficial said: "Ware celebrating."

merger would embroit their firm in The merger was to be completed this week. Walls had already been the controversies which have swirled around many Gordon deals. According to local reports, some Gundy clients threatened not to removed and furniture rearranged in Wood Gundy's Toronto offices in reparation for the arrival of Gordeal with the new firm. don Capital staff. Gordon pioneered the "bought

News of the merger between one deal" in Canada in which an underof Canada's most venerable investwriter buys most or all at a secur-ity's issue. But the firm was penament dealers and one of the most aggressive and unorthodox firms lised by the Ontario Securitie took the financial community by Commission earlier this year for surprise earlier this month. share-dealing irregularities in a

The combination, which would takeover in which it advised one o have created a company with capi- the parties.

Jordan plans to borrow \$200m in Euromarkets

BY RAM KHOURI IN AMMAN

JORDAN expects to tap the Euro- Jordan aimed to borrow only the markets for a medium-term balsame amount that it had repaid forance-of-payments loan later this eign creditors in interest and princiyear, for the third consecutive year. pal payments, so as not to increas entor government banking sources said. The Government will require

Jordan's total foreign debt stood about \$200m to make up for an anat \$3bn in March this year, with anticipated shortfall in Arab aid other \$1.3bn in domestic governgrants this year, ment debt. The debt service ratio. Arab oil-producing states gave Jordan \$560m in budget support last year though the Government however, is still a reasonable 9 per

still had to raise a \$215m, eight-year Eurocredit, Banking sources here expect the mimports. real rate of borrowing for Jordan to • The Central Bank of Jordan has rise slightly from last year's split required all the country's licensed rate of % per cent and % per cent over Libor for the two four-year

cent, reflecting steady inflows of workers' remittances, rising domes-tic exports, and a gradual decrease m imports

its total foreign-debt burden.

money-changers to submit detailed financial reports by the middle of July, after the collapse of four com-Government sources said that panies in the past two months.

Managers respond cautiously to hopes of interest rate cuts

\$350m.

their debt.

coupon of 7% per cent.

"NICE and easy does it" seems to be cent fixed-rate deal for Liberty Mu-the watchword in the new issues tual, the triple A rated US insurbusiness at the moment, with eco-nomic data suggesting bullishness the agreement of co-managers on but the imbalance between supply pricing first. This resulted in a and demand in the Eurobond mar-hefty initial 85 basis point yield ket counselling caution, writes margin over comparable US Trea-Clare Pearson in London. sury bonds.

Cootinuing deflationary signals sent the benchmark 30-year US fortably within 2 per cent fees for Treasury bond up to the feverish the rest of the week. It was bid on price of over 99 on the bid side last. Friday at a discount to issue price of 1% per cent. week. Hopes of interest-rate cuts next month could not fail to inspire the Eurobond market, and underwriters marked prices slightly high- launched by Credit Suisse First

Yet new issue managers responded only cautiously to the im-proving tone. In sharp contrast to general practice earlier this year, highly aggressive pricing seemed on the wane.

Merrill Lynch said that, when it half 1986 lead-management league

suing houses have no immediate incentive to jeopardise a market recovery by opening up a flood of pa-per. Meanwhile, modest demand per. from institutional investors seems to be returning. Dealers say that Eurobonds in some non-dollar currencies are now

As a result, the bond traded comlooking oversold. Seasoned sterling Eurobonds have hardly responded to the New York rally so far and now yield around 9.5 per cent. Japainvestors are increasingly Similarly, a \$125m five-year bond for Province of Saskatchewan.

looking favourably on sterling En-robonds as a high-yielding diversifi-cation out of dollar securities. Boston, attracted dealers with a Their interest has chiefly centred on sizable issues for sovereign bor-rowers. Demand for high-quality bank names is also reported, and this led Kleinwort Benson to latmch Some bankers say that a round of interest-rate cuts in July opens up the prospect of a small-scale rally in the Eurobond market. The scrama new five year deal for Crédit Ly-

onnais. Morgan Guaranty tested ble to achieve prominence in first-Japanese demand for UK building launched a \$150m 10 year 8 ½ per tables is now over, so the major is society floating rate paper with a

deal for Alliance and Leicester. Another sector that looks neglected, in some dealers' view, is the D-Mark market. A trickle of new paper - in volume around DM 3bn has reached this market over the month, as against an expected DM 18.9bn. Meanwhile, investor indif-ference has pushed yield levels to around 6.50 per cent.

Although the market traditionally tracks an upturn in New York, a weight of unsold paper and the West German authorities' resistance to interest-rate cuts have prevented a "follow through" trend Three" Swiss banks, inaugurated from emerging. Nevertheless, deal-ers see retail demand for good-quality names. A recent offering for the Three have been unable to lead a European Investment Bank, for in-debut deal since they still disagree stance, is trading around issue about commissions. The commisprice.

The Swiss franc market's progress is also impeded by the tight tial although rumour has it that monetary policy of the authorities. they were 2% per cent, with the

Short-term rates are stubbornly standard SFr 125,000 for out-ofhigh, at about 5 per cent on threemonth Eurodeposits. In this context, traders are unable to move

much recent paper. With the interest-rate outlook so uncertain, the limited amount of end investor interest is concentrated on shorter-term paper. Recent Swiss National Bank deregulation moves have opened a window for borrowers to take advantage of this with short-dated public bonds.

Bank Gutzwiller, Kurz, Bungener, rather than one of the "Big this market with a five-year deal for CB Pak. Swiss bankers say the Big Three have been unable to lead a sions that Bank Gutzwiller charged its Canadian borrower are confiden-

pocket expenses. At the 2% per cent level they are

about % per cent below a theoretical charge based on scaling back charges for traditional public bonds, all of which were for eight years or more. One of the Big Three banks, however, said that it was surprised Bank Gutzwiller had not pared fees down to 2 per cent. A five-year private placement would have cost CB Pak 1½ per cent.

The volume of new equity-related deals for Japanese borrowers in the Swiss franc market has declined markedly recently while a crop of such bonds has appeared in the dollar market.

Japanese borrowers, wishing to swap proceeds back into yen, are apparently finding it less costly to ssue in dollars first rather than to take a circuitous route out of Dsegments of the loan. Marks or Swiss francs.

and

This announcement appears as a matter of record only and does not constitute an offer of these securities.



Initial Public Offering

3.166.000 Ordinary Shares of 1p each in the form of International Depositary Receipts

EUROMONEY PUBLICATIONS PLC

£4.60 an Ordinary Share

Merrill Lynch Capital Markets

Credit Suisse First Boston Limited

Scrimgeour Vickers & Co

Swiss Bank Corporation International Limited

Bank Julius Baer and Co. Ltd. Banque Internationale à Luxembourg S.A. Deutsche Bank Capital Markets Leu Securities Limited Nomura International Limited Société Générale

Bank in Liechtenstein AG, Vaduz **County Securities Limited** Enskilda Securities Morgan Stanley International Pierson, Heldring & Pierson N.V. S.G. Warburg & Co. Ltd.

SOLVAY in 1985:

Once again a good year for the Group

Profit maintained at the 1984 level 1985 turned out to be a favorable year for the chemical industry in Europe and Solvay succeeded in maintaining unchanged its profit at the 1984 record level, with consolidated turnover at BF 225.4 billion, barely better than the BF 223.7 billion reprinted in 1844 Cash flow and credit

registered in 1984. Cash flow and profit equal the 1984 figures. The explanation is to be found both in the

sfactory increase in turnover in the satisfactory increase in turnover in the human health and plastics processing sectors and the rather dull performance recorded in the mora traditional sectors, in spite of sales going up by 4 lot 5% in votume. This is dua to tluctuations in tha rate of exchange of the Belgian franc and pressure on selling prices, although the same factors had a beneficial effect on costs, which were also favorably on costs, which were also favorably influenced by the results of the energy savings policy for many years enforced by the Group.

Progressive diversification into more profitable sectors

In several sectors, efforts to gain access to more profitable markets were undertaken. In the plastics sector, the priority given to special products over more common vity against cyclical hazards. In the

animal health sector, tha purchase of the US Vetennary Division of Squibb& Sons extended the Group's product range and strengthened its position on the American

As to geographical diversification, it is being actively pursued by a team working in South-East Asia to coordinate and develop Solvay's business in the area.

Innovative production methods In 1985, Splvay introduced automatic inter-electrode distance control in electrolytic units world-wide, thareby improving energy performance Solva also luriher promoted tha use of industrial computers an numerous plant sites, to automate manufacturing units and optimize running conditions.

A strategy for expansion in 1986, Solvay's investment programs are being further implemented. The most significant measure to date is the acquisition of Reid-Rowell in the Unstad States. This apens up the US market to Solvay's European pharmaceuticals. It clearly shows Solvay is now set on making human health one of its main

Dividend increased The dividend proposed for 1985 to the General Assembly of Sharaholders is BF 300 net of withholding tax per fully paid up share - an increase of BF 30 over the dividend for 1984.

Key figures

in millions of BF	1985	1984
Sales	225.443	223,695
Research costs	7,828	7.321
Personnel costs	53,868	51.842
Capital expenditure	13,984	10.397
Group's net profit	8,140	8.050
Solvay & Cie S A 's net profi	t 7.940	4,905
Net profit available for distribution	5.052	. 3.707.

Persons employed	44,461	43.527

The Annual Report of Solvay& Ce is available in English. French, Dutch and German, on request from Secratanat Général de Solvay Cie, Rue du Prince Albert 33, B - 1050 Brussi



June 11, 1986

May 29, 1980

- Treasury Yields:

INTERNATIONAL CAPITAL MARKETS

US MONEY AND CREDIT

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Stage set for Fed to ease policy stance

9.91 7.40 7.48 8.10 8.05 8.00

SHORT AND long-term interest rates edged lower again in the US last week, continuing a fourweek rally in the credit markets

spurred by a week domestic economy and growing expect-ations of an early Federal Reserve Board discount rate cut. The market mood was one of optimism, reflecting hopes of further interest rate declineo.

Long-term Treasury bonds posted o full 2 points gain on the week, helped by renewed evidence of Japanese huying. Overall government hond prices advanced by between 2 and 23 points sending yields back down close to their mid-April lows.

Tbe benchmark Treosury

long bond closed the week at 997, a full 57 points above its recent lows. At thot price the long bond is yielding 7.28 per

ent. Vided another piece in the Fed The Treasury suctions of watchers jigsaw puzzle — a our and seven year notes piece that most sgreed should rought investors average push the Fed further along the four and seven-year notes brought investors average yields of 7.26 per cent and 7.33

UK GILTS

US MONEY MAR	KET R /	TES (%	5)	
	Laa1 Friday	1 week ago	4 wks ego	
Fod Funds (weekly sverage) Three-mosth Tressury bills Oiz-month Tressury bills Three-month Prime CDe 30-day Commercial Paper S0-day Commercial Paper	8.87 6.00 5.69 6.63 6.70 0.69	8.87 8.10 0.17 6.75 6.50	5.97 6.30 0.40 6.82 6.70 6.65	
				1

US BOND PRICES AND YTELDS (%)

Last Change Friday on week 1 week 4 wks ago ago Yield 7.35 7.85 7.28 8.50 9.25 5.00 (naw) (new) 0.00 B.41 7.45 7.77 8.70 3.73 8.50 0.40 9.13 8.20 99', 115' 99' N/A N/A N/A (new) + 2³ + 2 + 1 + 2³ + 2³ + 1 3 Seven-year Treasury 20-year Treasury 30-year Treasury New 10-year "A" Financial New "AA" Long utility New "AA" Long troustrief Bource: Salamon Bros (estimates), 18 M1 rose by \$1.6bn to \$668.5bn. Money Supply: In the week

major currencies—particularly on Friday in the wake of the May US trade deficit dato. But the trada statistics promade so far in reducing our trade deficit," says Dr Henry Kaufman, of Salomon Brothers. "In the light of this and the continued sluggishness of the US economy, and in the obsence of progress on interoational policy co-ordination, few Con-

constrained to bead off damaging protectionist legislation by initiating onother round of occommodation aimed at stimu-lating domestic economic

\$.79 5.78 5.75 6.42 6.38 8.25 lating domestic economic growth and bringing down the value of the dollar.'

Value of the double. Certainly the political pres-sure is building for such a move, and most Wall Street economists have already jumped economists have already jumped shoard the bendwagen. Key dateo in the Fed watchers' diary are now the July 6 Japanese elections and the July 68 policy-making Federal Open Market Committee meeting. Laot week Mr Allen Sinai, of Shearson Lehman, declared that "the odds are now 60-40 on another Federal Reserve relaxa-tion and co-ordinated interest

tion and co-ordinated interest rate reductions at around that fime." Protectionist sentiment In Protectionist the US at large

Protectionist sentiment In Congress and the US at large is becoming an increasingly important factor on Wall Street —and the growing number of private sector economists who oxpect little positivo change in the domestic US economy in the 1986 second half reinforco

sppears to be making some beadway with its efforts to reduce the Federal budget deficit - and put in place a new simplified tax code. Nevertholess Dr Kaufman,

for cne, believes it is still highly uncertain how largo the deficit will be next year and believes that the Gramm-Rudman resolution calling for s \$142bn budget deficit is "opti-mistic in the extreme." Even so he accepts that the Federal budget deficit for fiscal 1987 could be as much as \$40bn less

That moans fiscal policy will

siderations in themselves srgue for a Fed easing. Significantly a number of weak, inflation restrained and senior economists, including Dr the prospect of o further Fed Kaufman, spparently no longer

Irving Securities.

Federal Reserve Monetary Target

Samon

may act as e Fed constraint, the stage seems set for the Fed to ease its policy stance, with or without matching inter-national moves.

consider interest rate cuts -and again in the fall - it clear message has not been lost. consider interest rato cuts —and sgain in the fail — it clear message has not been lost, sbroad, specifically in Jspan should be cleor that bond prices. Corporate bond prices advanced and West Germany, a pre-regulsite for a US discount rate cut. Emery thread difficulty of the same considerable potential for says Mr Philip Braverman of rates fell by 13 to 25 basis

points. The volume of new issues

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Issued Price 200 To41, 750 To5 500 To53, 200 To55, 8 100 To55, 9 100 To55, 9 100 To55, 100 To55,

Certainly the market opti-Certainly the market opti-mists appear to be back in tho driving seat for the present. was little sign of market Last week most short-term rates, indigestion with most new fell hy between 5 and 15 basis issues trading higher in second-points. US short-term rates, like their long-term counterparts, prices were marked higher hy are now pushing back towards 2 points or more.

June 26, 198

Paul Taylor

+11 -2.66 -0. -6.34 +31 5.25 +2 1.50 +11 -1.60 -17 -3.43 -0. -15 -15 -15 -15 -15 -15 -2.72 -2.72 -2.15 -3 18.00 -3 18.00 -3 18.00 -3 18.00 -3 -2.72 -2.75 -2.77 -2.10 -2.75 -2.77 -2.10 -2.75 -2.77 -2.10 -2.75 -

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12-month lows. In the corporate markets the

ICE

MI-Cashyan

hrought investors average plan the real torther along the pointy coordination, new con- private sector ex-yields of 7.26 per cent and 7.33 easing path. per cent respectively. In the foreign exchange ports by more than \$14hn in tion of the 'J-curve' theory. markets the dollar continued to both April and May, it is clear "The Federal Open Market such sentiments. weaken against most other thot no real progress has been Committee (FOMC) may feel At tha same t At tha same time Congress rates eep the the licy her itu-ous

d to wait until	UK's relative interest ra
e in case tho	would have to stay high to ke
ner.	sterling strong.
ngo on July 2	None of this indicated a
bout of selling,	change in the approach to t
al is not a vary	"Bwkward choices" that t
Broker James	Bank says confront poli
at a more likely	makers, but it was a furth
net funds to	sign of caution from an insti
er dated stocks	tion that was already cautio
ds.	about the build-up of liquid
is likely to	in the economy.
downward pres-	Lest we grow blase about t
the market, and	
not have been	effects, should this liquid
cautionary talo	find its way into the wro
ank of England	channels, the Bank dist
tin.	guished the possible con quences. Industrial and co
	quences, inoustrial and co

The message that unit labour mercial companies, it warned, costs are rising too fast is not migbt use the funds they have a oew one for the Bank, though built up to finance high pay it was spelt out with renewed settlements; financial institu-precision. So loog as British abroad, thuo damaging the exchango rate; and personal sector liquidity could scep into extra consumption.

The markets, meanwhile, contained on employers to grant tinue to look overseas for o spur lowor wage settlements. to tho next, long-delayed base lowor wage settlements. to the next, long-delayed base To the extent that this rate cut.

George Graham

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D	1015	0	12.52	Weyerhoeuser 11% 90		114	+1%	7.85	E Coal & Steel 10 ⁴ z 94
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	1154	+14	7.86	Bank Montreal 1 94	100		0	1114	Amer 176 61

Concern grows over pace of funding

AFTER A firm start, the UK gilts market edged hack by the close of the week. Progress was good enough to exhaust the fovernment Broker's four £150m tranches, issued at the to pave the woy for three new taplets to be announced on Friday. The Treasury created another

The Treasury created another £150m each of 10 per cent Treasury 1992, 84 per cent Treasury Losn 1997, and 94 per cent Conversion 2004. The range of stocks was similar to the previous week—even Including one issue free of tax to resi-dents abroad—as was the mes-sage from the authorities of a steady approach to funding. steady approach to funding, hut the tanlets still depressed the market late on Friday,

show concern over the Govern-ment's funding programme. Net gilt sales so far in the financial year are little more than flihn, and analysts calcu-

Friday. The Treasury created another 150m each of 10 per cent Creasury 1992, 84 per cent Treasury Loan 1997, and 94 per stocks was similar to the fstocks was similar to the index-linked sector suf-fered last week, with some stocks falling hy up to 14 points on Friday. Taxable sitting on substantial gains previous week—even including the issue free of tax to resi-tents abroad—as was the mes-are expected to start selling index-linked sector suf-fered last week, with some from the rally since the Budget, are expected to start selling index-linked sector suf-fered last week, with some for stocks falling hy up to 14 points on Friday. Taxable sitting on substantial gains from the rally since the Budget, are expected to start selling

Some agalysts have begun to

financial year are little more before JB19 3 took advantage tors, the book argued, then than f1jhn, and analysts calcu-late that they will need to amount to £550m to £600m a and Wodnesdoy last week. Some month for the rest of 1986-87 with index-linked losses, for To the exteot that this if the public sector borrowing example on the three £100m pressure comes from the 'ex-requirement is to he fully tranches exhausted in late May, change rate, it indicated, the

on policy ground Wednesday accentuate any sure already in sentiment may helped by the in last week's Ba

Index-linked on Wednesday, when capital gains tax ceases to he levied on bonds held for less than s year. Other inves-tors appear to have tried to tors appear to have tried to precision. So loog as British anticipate them. Those with tax losseo in the grow even faster than those of conventional sector to establish more inflation-prone competi-before July 2 took advantage tors, the Bonk argued, then of the opportunity to switch precision.

than this year's estimated \$2150n to \$220bn. he shifting from its recently strongly expansionary path at the same time that domestic US economic and other con-

Even though dollar weakness

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30th June, 1986

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billions. FLOATING RATE NOTES: US dollars unless Indicated. Margin above six-month offered rots († three-mosth; 5 above mean reto) for US dollars. C.con=current

CONVERTIBLE BONDS: US dollars unless indicated. From-percentage pre-of the current effective price of buying shares via the bond over the recent elers price.

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- 12 July

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June, 1986

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U.S. \$350,000,000

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Multi-Option Financing Facility

Arranged by

Salomon Brothers International Limited

Lead Managers

Bank of Tokyo International Limited Capital Markets Group Christiania Bank og Kreditkasse

Den norske Creditbank

National Westminster Bank Group

Swiss Bank Corporation International Limited

Union Bank of Norway

		Managers	5		
Banque Indosuez	Banque Nationale de Pari	s Norge A/S	Banque Paribas (Lond	ion) Barclays Bank PLC	
Canadian Imperial Bank Group	Chemical Bank	Copenh	agen Handelsbank A/S	The Dai-Ichi Kangyo Bank, Limited	
The Fuji Bank, Limited	The Industrial Bank of Jap	oan, Limited	Kansallis Banking Group	The Mitsubishi Bank, Limited	
"The Mitsubishi Trust and Bankin	g Corporation"	Mitsui Finance Into Mitsui Bank Capit		The Mitsui Trust and Banking Co., Ltd.	
The Saitama Bank, Ltd.	Sa	inwa International I		The Sumitomo Bank, Limited	
Svenska Handelsbanken Group	West	deutsche Landesb	ank Girozentrale	Westpac Banking Corporation	

Bank Mees & Hope NV

Amsterdam-Rotterdam Bank N.V.

Citicorp Investment Bank Limited

Deutsche Bank Aktiengesellschaft

Chase Manhattan Limited

Orion Royal Bank Limited

Crédit Lyonnais

Participating Banks

Den Danske Bank

Kredietbank S.A. Luxembourgeoise

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Banque Nationale de Paris Plc	Banque Parlbaa Capital Markets Limi	ted Barclays Bank PLC	Chase Manhattan Limited	Chemical Bank International Limited
Christlania Bank og Kreditkasse	CIBC Limited Citicorp Inve	stment Bank Limited Copenha	gen Handelsbank A/S Co	Punty NatWeat Capital Marketa Limited NatWest Investment Bank Limited
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Citicorp Investment Bank Limited	Copenhagen Handelsban	k A/S Crédit Lyon	nais The Da	al-Ichi Kangyo Bank, Limite	d Den norake Creditbank
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National Westminster Bank Group	The Saitama Bank, Ltd.	The Sanwa Bank, Lin London Branch	nited The Su	mitomo Bank, Limited	Svenska International Limited
Swiss Bank Corporation	W	estdeutsche Landesbank Gi	rozentrale		Westpac Banking Corporation

Note Tender Panel Agent EBC Amro Bank Limited Advances Tender Panel Agent The Bank of Tokyo, Ltd.

Facility, Swingline, and Issue & Paying Agent The Chase Manhattan Bank, N.A.

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STATES AND A REPORT OF A DESCRIPTION OF

NEW INTERNATIONAL BOND ISSUES

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INTERNATIONAL CAPITAL MARKETS AND COMPANIES

and the second second

US microchips hit by fall in orders

BY LOUISE KEHOE IN SAN FRANCISCO

A SHARP decline in orders has quarter. the US semiconductor industry "The US semiconductor inworried that its recovery may dustry will not be able to sus- per cent.

have slalled. After seven tain any aignificant growth rates months of slow but steady im- until the office and computer m-provement, "the phones stopped dustry recovers from its dolprovement, "the phones stopped dustry recovers from its dol-ringing" last month says one of drums." says Mr Jack Beedle, the country's targest semicon- President of In-Stat, an industry market research firm. "The facts remain that the

US regional Bell Telephone holding companies, which is based in Chirago, has won a court ruling allowing it to a significant decline in new manufacture telephone equip-ment overseas. The move effectively lifts a ban on such activities on the part of all the regional holding com-panies, and marks the latest in a series of diversification moves by them. Meanwhile the US Justice De-partment has approved the planned long distance tele-phone service and data com-

losses for manufacturers, in-dustry analysts predict. "The recession will not be over until major computer anufacturers start placing when sales dipped from \$7.2bn orders." says Mr Donald Bell, in 1974 to \$5.7bn in 1975. president of Kenruluff Elec-tronics. a large US electronics distributor, but industry execu-bility to int over \$14bn In \$185 to the sales of the sale sole o t dustry analysts predict. "The recession will not be over until major computer manufacturers start placing when sales dipped from \$7.2bn orders," says Mr Donald Bell, president of Kerruluff Elec-tronics. a large US electronics titves believe that it is unlikely to just over \$14bn, In-Stat esti-t to happen until the fourth mates, while semiconductor

shipments to the computer chip maker. A customar might

industry will be down by 12.4 order parts one weak and find per cent. "It appears that the rapid month, then order the same increase in semi-conductor parts a week later only to find orders during the first part of that they are not available for the same months, he explains. orders during the first part of that they are not available for the year was primarily for threa months, be explains. inventory replenishment at the distributor and small manufac- a signal that supply and demand

turer level, as well as some are beginning to get back in orders placed in anticipation of balance, Mr Zelencik believes. price increases," says Mr He expects to see customers Beedle. The industry is still suffering orders in the fourth guartar. the after effects of a sales boom Industry leaders are pinning in 1983-84 which left many their bopes on the fourth customers bolding big stocks of quarter as the beginning of a

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N.S. DOLLARS

Banan Paries (a)(h) 11	200	Perp.	-	1/2	196, 18	Banque Pandas	
Banque Publics (z)(b)†; Bank of Mantroel †(c);	258	1998	12	Sbp	169	Morgan Guaranty	8.345
Barty Matual Con. Corn. 1	150	1995	16	\$1/z	101	Marri Lyuch	
Liberty Histori Cap. Corp. ‡ Kapcaning ¶	88	1291	5	(23)	185	House Isti.	
Spars Chan Con 1	50	1991	5	(274)	188	Nako Secs.	_
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launcil of Europe (faceins- & Westinask (a) 1)	198	1551	5	21/2bp	199	CSFB	-
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rev. of Saskatcheman 1	125	1991	5	7%	108	CSFB	7.584
hanness +	258	1228	12	8	39.492	Pru. Bache	8.979
inigium 12 Ianhi Gina 1	49	1996	19	(0)	100.20	Skearson Lohman Bros.	
and Class 4	105	1991	5	(2%)	188	Yantaichi	
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leining Plans 4	50	1951	ŝ	(244)	169	Yamaichi	
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andine 1	188	1221	5	7%	10135	Merrill Lynch	7.411
Anistana 1	35	1591	ŝ	(2%)	100	Names Int.	
ard LB 1	180	1993	7	5	181	Morgan Stanley	7.889
WISS FRANCS						Berne Betwiller	-
NG .	12	1995	-	(6%) 5%	100	Bernque Gutzwähr Erödiz Suisse	5.250
anendenfennte A.G. \$	130	1252	-	5%	190	RBS	5.375
the Holdings	150	1998	-	(1%)	100	J. Henry Schmder	
ampto kal. "	31	1951	-)14)	189	SBC	-
lyetan Co. S 25 Pak Inc. Montreal	85	1951	-	(5%)	(196)	Banque Gatzwiller	•
hajitsuya 1	50	1854	-	54	100%	Wirtschafts- and Prints.	5,336
World Bank ***	296	1593	-	514	9974	Crédit Suizse	5.294
TTERLING							
PHIH Group 1	58	1993	7	9%	100	S.G. Warburg	8.625
Monce & Loicester (1)11	390	1994	1	Shp	100.10	Morgan Gearanty	9.893
ridit Lynnais 1	58	1991	5	\$1/2	100%	Kleinwert Benson	1.034
D-MARK Campara Energy 1	108	1992	6	5%	591/2	Commerzhank	5.854
infature 11	150	1991	5	2	100	BHF	2.000
BENCH FRANCS							7.987
Fint Fin. & Trade ‡	486	1995	15	8	100%	Crádit Lyonntis	1.987
UXENIBOURG FRANCS Bangue Continentale **1	390	1991	5	7%	109	Sanger Parihas (Loc)	5.625
AMABIAN DOLLARS							
and Gredit Canada 1	75	1991	5	342	188%	NBS	9,338
Montreal Trust Co. 1	75	1591	5	9%	100%	CIBC Ltd	5.554
. Estun Acceptance 1	65	1991	Š	10	10834	Bauque Paribas Cap. Mitt.	5.803
tyte-Qualec (g)	200	1555	15	•		Yamaichi Sees.	
AUSTRALIAN DOLLARS	50	1951	5	13	181		13.650
CIBC 1 West LB Finance 1	56	1931	5	123/4	1991/2	West LB	12.609
79							
Second of Passan 1	15im	1546	15		10112	Onion Europe	5.798
Research of Bossiph () Research Motors ()	15bn	1955	. 16	6%	16114	Daine Europe Daine	6.080
arada ‡	\$95m	1293	7	5%	1003/4	Hinnar Inti-	5.581
REE CLAT	1050	1853	1	18%	9974	Institute Base. San Paulo	19.496
		1993		1074			
Hisson Alinteis ‡ Hisson Alinteis ‡ Kurtumbilinya Inti.	108	1958	18	71/2	100	BMP	7.500
	20	1993	7)4-41/4)	108	Margen Steeley	

⁹ Not yet priord. 1 Final turnes. ¹⁰ Private placement. 5 Convertible. 1 Finating rate note. ¹ With equity warrants. (a) ½ over 3rs liber. (b) +200m on tup. (c) for Liber +6kp. (d) Deferred exupor. 8½% best 2 years. (e) for Liber +2½bp. (f) for Liber + 18bp. (g) Shagar is-(h) +200m cm tup. (c) Gm Liber +6kp. (d) Dufarrad caupen, 6½% hast 2 years. sun. (h) Gm Lind Rot. (j) 3m Liber +6kp. Note: Yiekks are culculated on Atsti has



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the deal, first announced in January this year, GTE's Sprint long distance service will be merged with United Telecommunications' US Dallas bank resubmits bid for BancTexas Telecom service. GTE is currently negotiating a BY MARY FRINGS IN DALLAS separate US joint venture agreement covering the tele-

phone equipment business with Slemens, the West German electronics and electrical group. Ameritech's green light to begin manufacturing overseas appears to enhance the pros-

The court judgment represents further significant change to the rules under which the regional telephone companies have operated since they have operated since they were spun off from American Tclephone & Telegraph at the start of 1984.

Since then, the regional tele-

BANCTEXAS, the state's 10th holding company of Bank of Insurance Corporation as a largest bank, which has run Dallas, the city's second ance of a kind norm into financial pressure as a largest independent bank. Since extended only to failed has result of lis extensive loan porties formation in 1984 the company bas purchased three other situation, and analysts help panies, appears to have become small banks and is seeking the object of a battle for additional acquisitons. BancTexas has had a number of monoposlas, including one appears to enhance the prospects for the seven regional holding companies' attempts to win equipment and consulting contracts in overseas markets. Ameritech has already moved aggressively to market its telecommunications expertise overseas, but has been haopered in bidding for contracts by the restriction on local manufacturing. The court judgment represents in the ford bank group. The court judgment represents in the ford bank group. The court judgment represents in the ford bank group of sharebolders. The restriction on local manufacturing.

less costly alternatives before the August 15 deadline.

in late 1983. BancTexas shares

Loral launches \$860m offer for Sanders

BY WILLIAM HALL IN NEW YORK

start of 1984. Since then, the regional tele-phone companies have service and into such areas as mobile communications, publishing and property. The seven US regional tele-phone companies are still prohibited from manufacting their own coulpment in the US-aban imposed because of concerns that they have a coptive markel which might impede



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assist-	Mr Edward C. Nash, who	Cridit Lynnak
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banks.	executive in August last year,	Castorra Energ
n that	and other directors of the bank,	Notabuce "
elieve amine	over the board's rejection of a \$8 a share takeover bid by	FRENCH FRAN

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Ameritech

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manufacture

By Paul Taylor in New York AMERITECH, one of the seven

regional Bell Telephone ductor distributors.

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U.S. \$100,000,000

Campbell Soup Company

7¹/₂% Notes Due 1998



£30,000,000

Ford Credit Canada Limited

91/2% Guaranteed Notes Due April 30, 1993

Payment of principal and interest unconditionally guaranteed by

Ford Motor Credit Company

Morgan Guaranty Ltd	CREDIT SUISSE FIRST BOSTON LIMITED		Morgan Guaranty Ltd	BARING BROTHERS & CO., LIMITEI
Crédit Lyonnais	DEUTSCHE BANK CAPITAL MARKETS LIMITED		BANQUE BRUXELLES LAMBERT S.A.	COMMERZBANK AKTIENGESELLSCHAFT
EBC Amro Bank Limited	Generale Bank		COUNTY BANK LIMITED	CREDIT SUISSE FIRST BOSTON LIMITED
Kleinwort. Benson Limited	LLOYDS MERCHANT BANK LIMITED		DEUTSCHE BANK CAPITAL MARKETS LIMITED	DC BANK DEUTSCHE CENOSSENSCHAFTSBANK
Nomura International Limited	SWISS BANK CORPORATION INTERNATIONAL		EBC Amro Bank Limited	GOLDMAN SACHS INTERNATIONAL CORP.
UNION BANK OF SWITZERLAND (SECURITIES)	Westdeutsche Landesbank Girozentrale		LLOYDS MERCHANT BANK LIMITED	SAMUEL MONTAGU & CO. LIMITED
			ORION ROYAL BANK LIMITED	Swiss Bank Corporation International Limited
			UNION BANK OF SWITZERLAND (SECURITIES) LIN	S.G. WARBURG & Co. LTD.
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INTERNATIONAL APPOINTMENTS

Unexpected shake-up in management of Seagram

BY BERNARD SIMON IN TORONTO

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SEAGRAM COMPANY, the world's largest drinks group, has appointed Mr David Sacks as president and chief operat-ing officer following the unexpected resignation of Mr Philip Beekman. Mr Edgar Bronfman, the group's chairman, ascribed Mr Beekman's departure to changes in the liquor industry which "have dictated a shift in the company's marketing strategies and practices away from those company's marketing strategies and practices away from those

and practices away from those of standard consumer goods." Prior to joining Seagram in 1977, Beekman, aged 54, was president of the international division of Colgate-Palmolive, the personal hygiene products manufacturer. Mr Bronfman said Mr Beekman had con-vinced him that "solutions to our current challenges lie out, side his field and he would be more professionally comfortable in another area where his recog-nised skills are more

products, reflected in a recent dispute with American television networks which refused to accept its advertisements. The company has had limited success in an expensive commitment recently to the US table wine market.

Operating income from wine Operating income from whe and spirits slipped by 18 per cent in the three months to April, despite an 8 per cent increase in sales. But total net incume more than doubled to US\$99.4m, thanks to improved earnings from the chemical group E. L dn Pont de Nemours, in which Seagram has a 23 per cent interest. Mr Bronfman said in an inter-view that Edgar Jr would succeed him as chief executive,

Mr Sacks, 62, has been execu-tive vice president for finance and edministration since join-ing Seagram in 1983. He was previously e partner of the US law firm, Simpson Thecher and Bartlett, and chief administra-

New chief at Norfolk Southern

By William Hall in New York

MR ARNOLD B. McKinnon

MR ARNOLD B. McKinnon, aged 58, is to take over as chief executive of Norfolk Southern, the big US railroad which is facing fierce opposition in its attempt to buy Conrail from the US government. Mr McKinnon, currently executive vice president mar-keting, will become chairman and chief executive when Mr Robert B. Claytor retires at the end of the year. Mr Claytor has headed the group since the headed the group since the consolidation of the Norfolk and Western Railway and the Southern Railway in 1982. The appointment surprised many Wall Street analysts since Harold Hall, the group's presi-dent and chief operating officer would become chief executive on Mr Claytor's retirement. Mr McKinnon joined the Mr McKinnon joined the Southern Railway system in 1951 as a lawyer and worked his way through the legal de-partment. After the merger of the two railroads he took charge of marketing, which has become an increasingly impor-tant position following the de-regulation of large parts of the US transportation industry.

Swiss Bank

Corporation

restructuring

By John Wicks in Zurich

Motorola sets up successions

BY PAUL TAYLOR IN NEW YORK

MOTOROLA, the US electronics remain 'as chairman. and semiconductor group, has Mr John Mitchell, 58, cur-announced a two-phase manage-next ransition designed "to chief operating officer, will re-put in place the corporations main president while becoming next generation of senior chief operating officer on the management."

Under the first stage of the reorganisation. Mr William Wetz, aged 59, currectly vice chairman and chief operating officer, will become chief execu-At the start of 1988, Mr chairman and chief operating are to take effect. officer, will become chief execu-tive while retaining the vice-chairman's title, at the start of July He will succeed Mr Robert Galvin, 63, who is relinquish-ing the chief executive's joh tive from July 1, will step up after 22 years but who is to become president and chief

MR JEROME MEYER, the president of Varian Associates, who joined the company just 19 months ago, has resigned. In a brief statement, the California electronics company described Mr Meyer's decision to resign as "an amicable one made by

executive. Mr Fisher has been senior vice president and assistant general manger of Motorola's communications sector.

Mr Gary Tooker, 47, who is vice chairmanship in January, 1988, when the second round of Mr Gary Tooker, 47, who is currently an executive vice president and general manager of the semiconductor products sector, will become senior executive vice president and chief corporate staff officer on

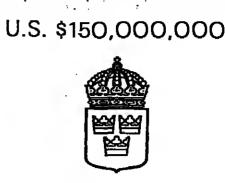
July 1, succeeding Mr Robert Swift, 62, who is retiring after 33 years with the group. In 1988, Mr Tooker will become senior executive vice president and chief operating officer.

omenais in place for the next generation of corporate leader-ship." Mr Galvin, the son of Motorola's founder, Mr Paul Galvin is expected to remain chairman of the \$5.5bn-ayear Illinois-based group past 1988,

The changes were warmly welcomed on Wall Street as an indication of continued manage-

the top of SBC, Switzerland's second biggest banking group. This foresees the abolition of the executive committee, which is currently made up of the bank's seven geoeral managers.

indication of continued manage-ment stability at the group and as evidence that the group was acknowledging the continued importance of the semiconduc-tor group by preparing Mr Fisher to become chief execu-tive.



This advertisement complies with the requirements of the Council of The Stock Exchange.

It does not constitute an offer of, or invitation to the public to subscribe for or purchase, any securities.

Kingdom of Sweden

81/2% Bonds Due 1994

The following have agreed to subscribe or procure subscribers for the Bonds:

Credit Suisse First Boston Limited

Bank of Tokyo International Limited	Bankers Trust International Limited
Banque Bruxelles Lambert S.A.	Banque Nationale de Paris
Banque Paribas Capital Markets Limited	Citicorp Investment Bank Limited
Deutsche Bank Capital Markets Limited	Dresdner Bank Aktiengesellschaft
Enskilda Securities Skandinaviska Enskilda Limited	Merrill Lynch International & Co.
Morgan Grenfell & Co. Limited	Morgan Guaranty Ltd
Morgan Stanley International	Nomura International Limited
Orion Royal Bank Limited	Post- och Kreditbanken, PKbanken
Salomon Brothers International Limited	Shearson Lehman Brothers International, Inc.
Svenska International Limited	Swiss Bank Corporation International Limited
Union Bank of Switzerland (Securities) Lim	ited S. G. Warburg & Co. Ltd.

The issue price of the Bonds is 991/2 per cent. of their principal amount. Application has been made to the Council of The Stock Exchange for the Bonds to be admitted to the Official List.

Interest will be payable annually in arrear on 7th July of each year, beginning on 7th July, 1987,

Particulars of the Bonds and the Issuer are available in the statistical service of Extel Statistical Services Limited and copies may be obtained during usual business hours up to and including 2nd July, 1986 from the Company Announcements Office of The Stock Exchange and up to and including 14th July, 1986 from:

Credit Suisse First Boston Limited, 22 Bishopegate, London EC2N 4BQ Hoare Govett Ltd., Heron House, 319/325 High Holborn London WCIV 7PB 30th June, 1986

the second s

Bankers Trust Company, Dashwood House, 69 Old Broad Street, London EC2P 2EE

23

Mr Meyer's resignation for made by mutual agreement." Mr Meyer's resignation from the company and board was of mutual agreement." Mr Meyer's resignation from the company and board was of immediate effect. Mr Thomas a few days after Varian sege, chairman and chief lose between \$4m and \$16m in the first quarter. That compares " chief" operating responsibilities. as "an amicable one made by mutual agreement."

Varian president resigns

MR JEROME MEYER, the with a \$2.4m profit in the same

BY LOUISE KEHOE IN SAN FRANCISCO

This advertisement is published by S.G. Warburg & Co. Ltd. on behalf of Dixons Group plo ("Dixons"). The Directors of Dixons are the persons responsible for the information contained in this advertisement. To the best of their knowledge and belief (having taken all reasonable care to ensure that such is the case) the information in this advertisement is in accordance with the facts. The Directors of Dixons accept responsibility accordingly.

period a year ago.

The company says that Mr

Meyer's departure is unrelated

to the loss, but offers no reason

for his sudden resignation.

OFFER FOR

MR WALTER G. FREHNER is at the start of 1987 to take over the newly-created post of management chairman of Swiss management chairman of Swiss Bank Corporation, of Basle. The new chief executive, who is 53, is currently a general manager of the bank and a member of its executive com-mittee. His appointment as management chairman forms part of a major restructuring at the time of SPC Switzenburg's

"The prime objective of these changes is to put key officials in place for the next

WOOLWORTH **DIXONS INCREASED OFFER WORTH** 814·6p WOOLWORTH SHARE PRICE

DIXONS BID HIGHER BY

730•0n



Dixons increased offer is final. Acceptances should be received by 1.00p.m. on 2nd July, 1986.

The increased offer will close at 1.00 p.m. on 2nd July, 1986 unless it has by or on that date become unconditional as to acceptances. Dixons has reserved the right, however, to revise, increase, and/or extend the increased offer in a competitive situation. If you require copies of documents, further information, or assistance in completing your Form of Acceptance, please contact S.G. Warburg & Co. Ltd. at: 33 King William Street, London EC4R 9AS, telephone 01-280 2222.

The value of Dixons increased offer (based on the value of Dixons securities being offered in exchange for Woolworth Shares) has been computed by reference to a price for Dixons Ordinary Shares of 335p, 1998 and 1998 based on market process at 3.30p.m. on 27th June, 1986, after adjusting for Dixons forecast 1985/86 final dividend of 2.4229p (net) per share, and an estimate of the value of a Oixons Convertible Preference Share of 98.15p. Cazenove & Co., stockbrokers to Dixons, have confirmed that, based on market conditions on 27th June, 1986, a reasonable estimate of the value of each Dixons Convertible Preference Share would have been 98.150.

The value of e Woolworth Share, which is quoted on an ex-dividend ba has been based on market prices et 3.30p.m. on 27th June, 1986.

This notice complies with the requirements of the Council of The Stock Exchange and does not constitute an offer of, or invitation to subscribe for or purchase, any securities.

U.S. \$150,000,000 **Prudential Funding Corporation** (Incorporated in State of New Jersey, U.S.A.)

A Subsidiary of

The Prudential (////)



7¾% Notes Due 1991

The following have agreed to subscribe, or procure subscribers, for the Notes:

Prudential-Bache Securities International

Nomura International Limited

Salomon Brothers International Limited

Union Bank of Switzerland (Securities) Limited

Bankers Trust International Limited Merrill Lynch Capital Markets **Morgan Guaranty Ltd** The Nikko Securities Co., (Europe) Ltd.

Goldman Sachs International Corp. Morgan Stanley International S.G. Warburg & Co. Ltd.

Algemene Bank Nederland N.V.

Banque Paribas Capital Markets Limited Crédit Lyonnais Hambros Bank Limited Kredietbank International Group Mitsui Trust Bank (Europe) S.A. **Orion Royal Bank Limited**

Banque Bruxelles Lambert S.A. Chase Investment Bank CIBC Limited Dai-Ichi Kangyo International Limited **Dresdner Bank IBJ International Limited**

LTCB International Limited

Nippon Credit International (HK) Ltd.

Yamaichl International (Europe) Limited

Swiss Bank Corporation International Limited

Wood Gundy Inc.

Application has been made to the Council of The Stock Exchange for the Notes, issued at a price of 100% per cent., to be admitted to the Official List.

Interest on the Notes, calculated as set out in the Extel Card dated June 27, 1986 is payable annually in arrears. The first navment is expected to be made on July 22, 1987.

Listing particulars containing information with regard to the U.S. \$150,000,000 Notes Due 1991 of Prudential Funding Corporation are available in the Extel Statistical Service and copies may be obtained during usual business hours up to and including July 2, 1986 from the Company Announcements Office of The Stock Exchange and up to and including July 14, 1986 from:

> P-B Securities, Down, de Boer & Duckett Ltd. 9 Devonshire Square London EC2M 4HP England

The Chase Manhattan Bank, N.A. London Branch Wooigate House **Coleman Street** London EC2P 2HD England

June 30, 1986

UK COMPANY NEWS

Terry Povey on the investments of Mr. Ron Brierley's IEG The collector's instinct at work

IN LESS than two years Mr While there are some light Ron Brierley's Industrial Equity industrial activities, there is Group has purchased over 2500m worth of UK stocks and has built up a solid platform from which to play predator, long-term investor or arbit-rageur in perhaps 40 comstock Exchange information screen reveals a new or in-creased IEG stake in a Londonquoted stock.

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Abedau

Mr Brierley's most important UK investments to date are in Tozer Kemsley & Milbourne, Ultramer and Hampton Gold Mining Areas. But: "We're not huying these stocks because of any wish to conquer the world —not like some Australian companies," claimed Mr Brier-ley in an interview with the Eigenetic Times parently Financial Times recently.

volvement is still minor by comparison with that in the Pacific Basin, where Mr Brier-ley is one of the top half dozen corporate chiefs. The master company, Brierley Investments the Brier-talised at over \$400m - of which it owns just over half. Pacific Basin, where Mr Brier-ley is one of the top half dozen corporate chiefs. The master company, Brierley Investments

company, Brierley investments Ltd (in which Mr Brierley holds a 5 per cent stake) is New Zealand's largest, capitalised at NZ33.7bn (£1.4bn). In New Zealand, the 48-year-old Mr Brierley has elmost folk-hero status, with 2,500 turning out status, with 2,500 turning out for BIL's last annual general meeting.

Capitalised

Across the Tasman is Indus-trial Equity Ltd (54 per cent owned by BIL), Australia's 10th largest company, capitalised et A\$2.4bn (£1.1bn), Industrial Equity Pacific in Hong Kong. 18 per cent owned by BIL and 51 per cent owned by BIL and 51 per cent by IEL, is worth HK\$9bn (£750m). The three companies constitute the core of

majority of IEG's The interests are in service or con-sumer-related areas. Breweries. wine, pastoral, tourism, media, insurance and property interests appear prominently on the list vestments were not successes

little that would require major capital investments or a very long-term effort to boost earnings. Drawing Mr Brierley to the

UK is the need to spread group interests outside of the Antipodean homebase. There are obvious limitations to further expansion in New Zealand and in Australia there is a nagging doubt over the long-term regulatory environment.

Targets in the UK are underpriced companies where a change of management could produce a rapid boost to trading fortunes.

Mr Brierley's best known move in the UK to date was the takeover of TKM last year -The scale of IEG's UK in- made a successful bid for Ken-

How did IEG come to take over TKM? "It was brought to over TKM? "It was brought to us but my first reaction was that the company was in such a mess that it couldn't last long," explains Mr Brierely. "Later we took a second look and were able to buy the charge at hatmin hate buy the shares at bargain base-ment prices (25p each) and, after e management opheeval,

scheme."

ment.

came up with a bold refinancing Over a 20-month period he has garnered e £165m repital gain on a £41m invest-

There are now plans to list TKM in New Zealand and 1,000 or so investors from Down Under have followed Mr Brierafter TKM. ley and bought shares in TKM.

The TKM move is not, however, part of any master plan simed at the UK motor sector, claims

earnings growth. So woe betide any manage-ment that consistently underachieves. At TKM, group chairman, chief executive and fin-ance director, elong with many lower level managers, have been

changed since last summer. In the UK, IEG is still et an early stage of development so it will be important for the group to cash in on capital gains and keep the profit running smoothly. Inevitably therefore, there will be more arbitraging and profit-taking on the port-folio than is the case with the more mature IEL and BIL opera-

Mr Ron Brierley, chairman . of IEG

and "taught me the hazards of operating et a distance," says Mr Brierley. The Brierley investm philosophy — he is perhaps best compared to an investment fund

there is no love lost between the two men and the affable Mr Bond may well have to up the manager working on his share-holders' account rather than a anti or offer something interest ing in exchange before IEG will agree to sell. Mr Brierley's UK purchases

corporate chief — is that "if the group buys one share in a com-pany, it is prepared to buy all the shares at the same price." Many stakes are sleepers, held Mr Brieneye OK purchases are already exciting the London market — he holds stakes in IC Gas (2.1 per cent), Horizon Travel (10 per cent), Redraarn Netional Glass (16.2 per cent), Jonas Woodhead (18.1 per cent) and secondadly Operate. Trans. and reputedly Overseas Trans-port and Trading (4 per cent). Several companies to which he Several companies to which he has been attracted have seen sharp price rises, and some have felt obliged to prepare defensive arrangements. Mr Brierley is a collector by

nature. Stamps and takeover memorabilie vie with chess,

e any manage-tries had improved results over the previous year, but the division's result overall was ad-versely affected by a poor per-formance in swimwear, largely attributable to last year's bad summer.

Pretar profits increased from 2852,000 to £1.07m in the year to April 4, 1986. Profit en clothing was down overall from 5843,000 'to £794,000, but the sound reproduction division achieved a swing back into profit with figures of £180,000 compared with a loss of £96,000.

tions. Mr Brierley's purchase of an almost 10 per cent stake in Hampton Gold Mining Areas could well be an example of his arbitraging activities. Mr Alan Bond, the Australian entre-preneur, has made a \$41m bid for the company and the result could not turn on what Mr Brierley does with his stake. Australian brokers claim that there is no love lost hetween the

Celestion progress

Weather holds back

clothing's share up from £28.49m to £33.1m. The divi-dend is unchanged at 1p net.

f1.05m. (f537,000). Group turnover advanced share advanced from 2.2p to from f35.39m to f41.66m, with 2.9p.

SHARE STAKES 1 A 1 A 1

Atlantic Resources. Mr. G. Reekie 50,000 and now holds L. McGuinness, e director dis- 2,322,577; and B. F. Smith posed of 1.2m ordinary shares 65,000 and now holds 760,729. et 9.03125p on June 13 and now W. A. Holdhitz-Director. Mr. holds 550,000 shares (0.448 per W. A. Airey sold 37,000 cent). ordinary shares on June 24 and

United Spring and Steel: a furthar 25,006 ordinary shares Group, Director Mr A. C. on June 25. Firth, has sold 10,000 shares. Spirar Sares Engineering Harris Queensway. Mr P. Birector Mr A., Brown sold Davis, a director, sold 24,444 June 19, new ordinary.

Geers Gross-Director Mr P. M. Enoch ecquired an eddi-tional 11,000 shares and now BOARD MEETINGS

TODAY Triat, Blue Arrow, Epicare, J. (Ferron), Oskwood, Television, Widney. Widney. Finals: Compeoit: Greanam House Leopold Jemeph, Mercary Inter-trational, PCT, REAL Weiper, Wiggins Group, Witwstersrend Nigel.

FUTURE DATES British Engin

Foods Groceries)

PENDING DIVIDENDS

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Abbey LifeJuly

ASDA-MFI

Associate

Barclay

Renoll.

867 879

Delly Meil and

lintal, Leisure...Ju LintarJu Lloyde Bank...Au Lloyde Bank...Ju

Smith

July

Financial Times Monday June 30 1986

Dates when some of the more important company dividend Longs when some of the more important company dividend statements may be expected in the next few weeks are given in the following table. The dates shown are those of last year's announce-ments except where the forthcoming board meetings (indicated thus*) have been officially notified. Dividentis to be declared will not necessarily be at the amounts in the column headed "Announcement last year."

ta -	vear	Date	ment last
18 21	Interim due Final due	Megnet and SouthemaJuly 10	Final 2.7
<1 9	Interim 8.5	Mercantile HouseJuly 31	Finel 9 Finel 16.0
18	Final 11.25	Morcury IntJune 30	1 1131 14.4
18	Final 2.3	Midland BankAug 1	interim 11
7	Interim 8.4	NetWoal BackJuly 30	Interim 10
12	loterim 3.3	Nonhem	Final 3
3	Final 9.625	FoodsJuly 1	Liugi O
10	Interim 15.5	Ocean TransportJuly 31	loterim 2.15
3	Final 2.585	4Renk	
z	Final 2.8	OrganisadonJuly 17	Intelim 5.5
_		• Rothachild (J.)July 1	Final 7.2
7	Final 2.005	Contraction of the second seco	
1	Final 1.04	"Scottish end	Final 4.19
1	Final 2.65	ABARCON MALL AND ALL	Final 12.5
18	Interim 0.5		
11	Interim 2.53	Tomkins (F. H.)July 29	Final 1.475
18	Final 11.75	Trumhouse ForteJuly 2	Interim 1.27
e	Figel 4.2	Giscount. July 15	lotation 11 C
- e	Ficel dua	· Clacount. July 15	sted + Rig
30	Final 0.25	Board meeting with	x free. § Sc
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TOP 500 The performance 1970-1986

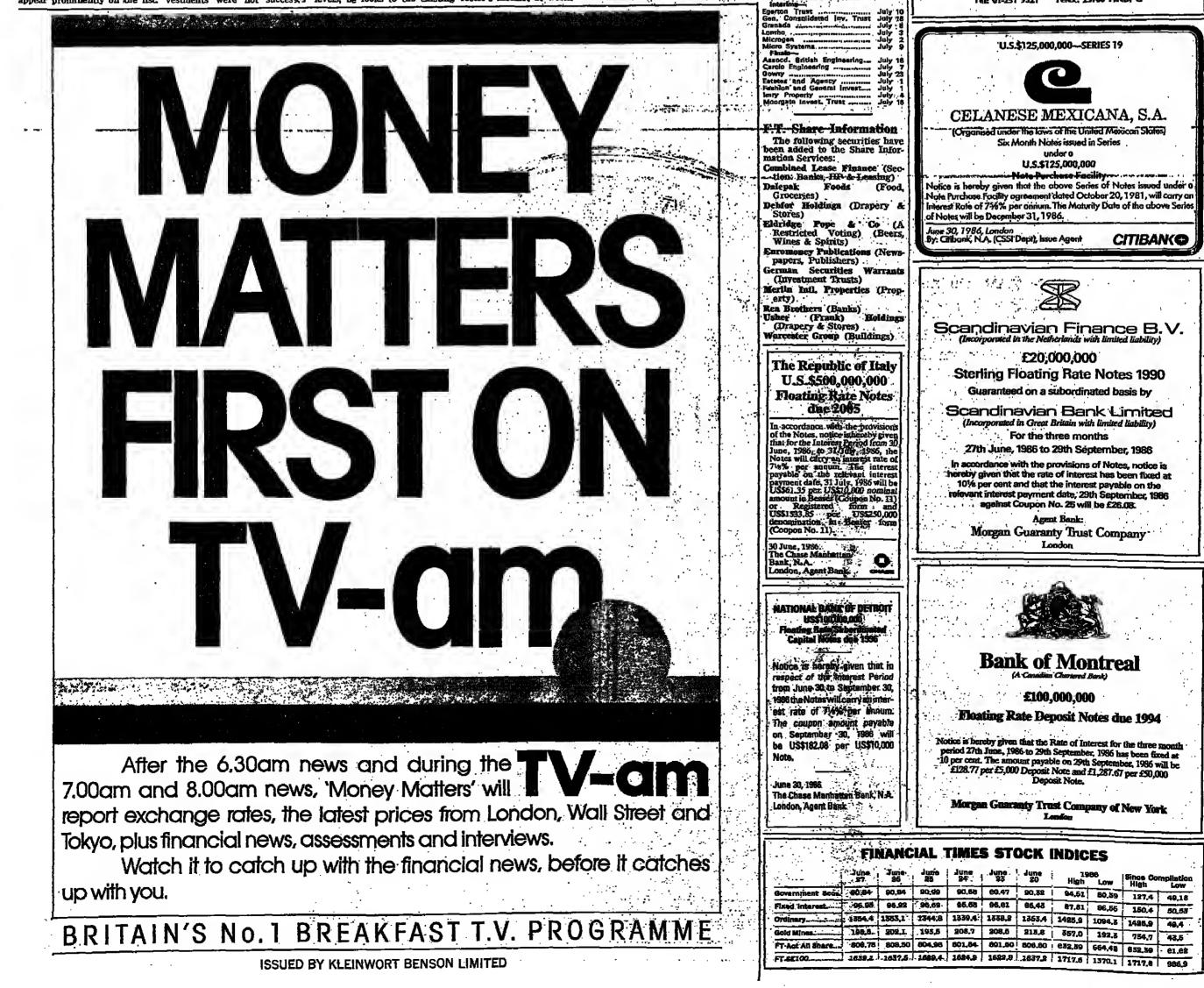
Since 1970 The Banker has researched end published the asset size of the 500 largest commercial banks in the world. As this data is now incorporated within so muny information systems by treasury departments worldwide we believe that the historic performance of ell the banks which have been included throughout the long period we have been publishing the research would be of considerable value.

The Banker will, therefore, be publishing in its forthcoming August itsue the ranking of each bank since 1970. up to the current year.

Over this long period the influence of currency movement against the US dollar has played a major part in the ranking of banksr we are, therefore, urranging the ranking by country which will be helpful in assessing the individual performance of each bank in the context of its own base country's economy.

We are sure that this information will become a valuable record, along with the Top 500 data in this issue, and be used by bank and corporate treasurers throughout the year.

and corporate treasurers throughout the year. Full details of the cost of odvertising within this important study along with our foture publishing promome ore ovailable from; The Marketing Director THE BANKER 102-103 Clerkenwell Road, London ECIM 55A Tel: 01-251 9321 Telex; 23700 FINBI G



It patience has been e charac-teristic of his attitude to smaller memorabilie vie with chess, investments — such as Ultramar cricket and investigging special —this is not the case with any-thing in the 20 to 30 per cent region. Once within striking distance of compulsory bid levels, he looks to the existing lector's instinct at work. bolds 50,000 shares. UDO Heldings—The following directors disposed of shares on June 24: R. F. Bruniges 80,000 and now holds 934,642; S. G. 548,529; E. A. Reekie 75,000 and now holds 2,012,487; D. J. Mr Brierley. IEG has loog had a token presence in the UK, but earlier in-

for several years before any further action is taken, not all produce drametic profits and only one in ten sver leads to a full bid," comments Mr Brierley. An example of the sleeper strategy in action is the 97 per cent stake in Ultramar, the independent oil company. At over 50m the Ultramar holding is IEL's most costly UK investment

It patience has been e charac-

compared with a loss of £96,000. The pretar figure included dividends from listed invest-ments totalling £94,000 against £105,000. Tax. rose from £344,000 to £380,000. There were extraordinary profits of £364,000 (£131,000), being surplus on the sale of invest-ments net of tax creates. Re-organisation and factory closure organisation and factory closure costs took £102,000, last time leaving attributable profits of £1.05m, (£537,000).

bolds 50,000 shares.

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CREDIT IMMOBILIER ET HOTELIER

KUWAITI DINARS 10,000,000 SIX GUARANTEED BONDS DUE 1988

ance with Clause 4(A) of the Terms and Conditions of the rds, the holders of the said Bonds are informed that the Notes • following gerial nambers have been called for redemption at r August 1996.

1346 1531 1791	88888888888	21400 76700 75700 7570 7570 7570 7570 7570	61 to 248 to 436 to 631 to 806 to 1005 to 1196 to 1381 to 1566 to 1837 to	250 440 635 820 1010 1200 1385 1570	96 19 296 19 19 19 19 19 19 19 19 19 19 19 19 19	100 290 670 1060 1235 1420 1420 1420	136 1 329 1 516 1 706 1 1081 1 1255 1 1496 1 1771 1 1901 1	ka 520 ka 710 ka 900 ka 1055 ka 1279 ka 1460 ka 1715 ka 1905	176 to 301 to 556 to 746 to 551 to 1306 to 1306 to 1246 to 1266 to	350 500 750 11210 1300 1120 1300 1120 1300 1120 1300 1120 1300
46 276 511	10 10	50 280	91 to 331 to 565 to	335	146 20 376 20 50	150	195	190	236 to 466 to	240

Sill to 615 565 to 570 606 to 619 656 to 680 The payment will be made seeinst presentation and surrander Bonda with all unmatured Coupons, appartaining thereto to the Agant or to sither one of the Missing Coupons will be deducted the relevant smount at the time of payment. The face value , missing unmatured Coupon will be prid ngsinst surrander of the Coupon within a period of 12 years from the payment date h, of the prissipal of the relisive Bond, whether or oot such Coupon have become void under Condriton 7. The second void under Condriton 7. The second interest due on 1.8.1896 will be paid as usual, observes elected to necesive payment in U.S. dollars in acce with Clease 510 of the Terms and Coeditions of the Bond payment will be In Kuwaiti Dinars. The Sende called for redemption will case to beer interest ist August 1996. Fiecal Agent

Fiscal Agent T INTERNATIONAL INVEST Gate No. 1, 5th F Al Salhiya Commercial Fahed Al Salem S FUNDAT

NK S.A. LUXER and Ro UARANTY TRUST COMPANY OF NEW YORK Rue de la Regence 4, B-1000 Brussels, Bejatam

by

Wells Fargo

International

Financing

Corporation N.V.

U.S. \$50,000,000

Guaranteed Floating Rate Subordinated Notes

due 1996

In accordance with the

provisions of the Notes, notice is hereby given that for the

Interest Sub-period 30th June, 1986 to

31st July, 1986 the Notes will carry an Interest. Rate of 71/16% per annum.

The Interest accrued for the

above period and payable on 31st July, 1986 will be

US\$60-82.

Agent Bank:

Morgan Guaranty Trust. Company of New York.

London

Kuwait International Investment Co. s.a.k. (AS FISCAL AGENTS)

Wells Fargo

& Company

U.S. \$150,000,000

. Floating Rate Subordinated Notes

due 1992

In accordance with the provisions of the Notes, notice is hereby given that for the Interest period 30th June, 1986 to 31st July, 1986 the Notes will carry an Interest Rate of 7 1625% per annum.

Interest payable on the relevant interest payment date 31st July, 1986 will amount to US\$6168 per US\$10,000 Note.

Agent Bank:

Morgan Guaranty Trust Company of New York

London



The purchase price of up to £17.45m will be satisfied by the issue of 23.55m ordinary shares in XCL, worth approximately £10.58m at current market prices, two promissory notes

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Smurfit forecasts record year profits

Exploration Louisiana

in £17m US deal

The Exploration Company of outsians, the London-quoted

oil and gas exploration and pro-duction company, has approved the acquisition of certain lands,

mineral interests and oil and gas

production interests in South-

western Louisians in a trans-action valued at approximately £17m. The vendors are the John W. Mecom Company and certain

of its affiliates.

and the set of the set

. . . .

Jefferson Smurfit has re-the company said, adding that analysts predict the price re-to 1985-86 last year and is forecasting pre-tax profits of the present year and well ahead of last year's good start into 1987. and record results for the year. Profits in the second half were halved but now the Dublin-cent stake was acquired in based company has said interim profits will be about 1624m of \$134m, which was less than profits will be about 1£24m compared with 1£20.32m last A slow but improving move-

ment in prices, which started in the second quarter was seen In the second quarter was seen altered trading terms and the by this company, which is in-disposal of excess assets. The name has been changed ing and making corrugated to the Smurfit Newsprint Cor-cases, paper and board. The improvement followed a significant downturn in pricing cladwood products, both of for the previous 15 months. The medium-term outlook creased demand due to the continued to look favourable, high ievel of housing starts.

for £7.5m By Charles Batchelor Tootal, the threads and tertiles group, hopes to complete negotiations shortly for the acquisition of Clover Leaf, a family-owned manufacturer of table mats and melamine kitchenware, for up to £7.5m company in which an 80 per cent stake was acquired in February this year cost a total of \$134m, which was less than expected. Since then the applicable net debt has been reduced by \$40m, mainly as a result of excellent cash flow, altered trading terms and the dignosal of errors assets ware, for up to £7.5m in eash.

in cash. The purchase of Clover Leaf, which made film profit pre-tax on sales of film in its last financial year, would allow Tootal to add co-ordinated ranges of homeware products to its existing range of soft furnishings

to its existing range of soft furnishings. Tootal said yesterday talks had not been completed, and there still remained problems to overcome. If the deal goes ahead, it would pay £5.75m at once with a further £1.75m dependent on profits perform-ance.

Tootal buys

Clover Leaf

unchanged

Bett profits

LADBROKE INDEX

1,353-1,359 (-1) Based on FT Index

Tel: 01-427 4411

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Virtually unchanged pre-tax profits were yesterday reported by Bett Brothers—its activities lode building and ancilliar services, commercial vehicle distributorship—for the half year to February 28 1986.

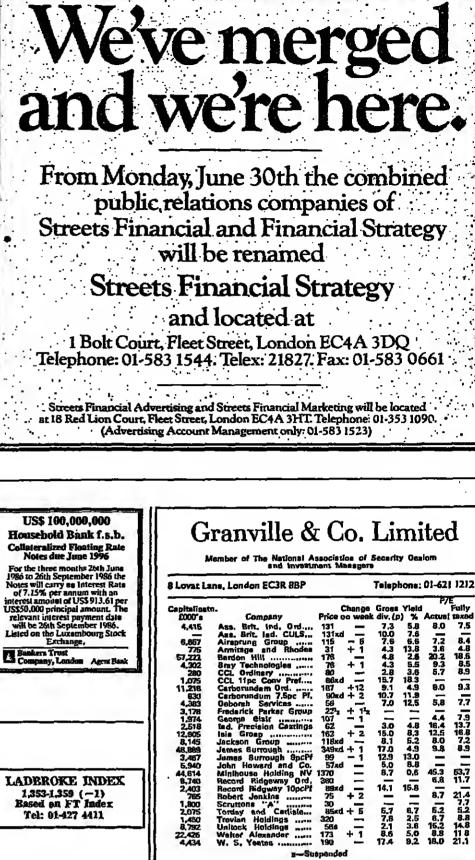
aggregating up to \$8.2m (£5.5m) and \$2.04m (£1.37m) in cash. The cash will be raised by the simultaneous issue of \$4.5m (£3.02m) in convertible loan The figures were £412,000 compared with £421,000, and turnover was slightly lower at £7.1m against £7.53m. The interim dividend is unchanged at 1.2p net-last year's total was 3.1p from pre-tax profits of £824,000. Stated earnings per 20p share were up from 1.54p to 1.59p.

Tax was down from £190,000 to £156,000, and there was an extraordinary debit this time £15,500.

The directors said similar trading conditions to previous year had been experienced in the first half. Turnover was down as a result of the continued high level of compe-tition in the building sector,

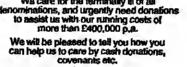
Channel Tunnel

CHANNEL Tunnel Investment pre-tax profits fell from £3,230 to £2,661 for 1985. After tax of 8800 (£969) earnings per share were 0.13p (0.15p). The directors said that the company is not involved in the Channel tunnel project nor was it invited



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The Princess Alice Hospice ESHER, Surrey Telephone; Esher 68611

The Whitbread Annual Report is now available. It contains the full story of another successful year: pre-tax profits to 1st March 1986 were up to £129.6 million, a 17.7% increase on 1985.

BEER. BREWING AND WHOLESALING

Beer, brewing and wholesaling achieved a 14.8% increase in turnover to £586.3 million. Operating profits of £81.2 million (a 15.2% increase) accounted for 48% of the Group's total operating profit.

In a market which was around 1% down on the previous year, beer volumes were well up. Heineken and Stella Artois, supported by Kaltenberg Diat Pils, pushed lager sales to 47% of our total beer trade, while Whitbread Best Bitter and Whitbread Trophy did well and the regional ale brands such as Flowers, Wethereds, Welsh Bitter, Fremlins and Chesters sold strongly.

Our take-home market share reached its highest level for many years, and Breweries Division maintained full supply throughout the vear, with product quality better than ever before.

RETAILING

Retailing turnover was up to £633.2 million, a 13.1% increase. Operating profits rose to ± 55.5 million, 33% of the total operating profit.

A high level of capital investment in Whitbread Inns was maintained, and they performed well, with a substantial growth in profit.

Beefeater, Thresher and Pizza Hut all traded strongly, and there were encouraging performances from newer businesses such as Roast Inns, Aureon Discotheques, Coaching Inns and Country Club Hotels.

WINES AND SPIRITS

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Despite a decrease in turnover of 4.8% largely due to the impact of foreign exchange movements, operating profits increased by 26.2% to £33.2 million.

Stowells and Langenbach produced good profits, and Long John exports were up 10%.

Whitbread North America exceeded its profit budget and gained market share. It's now among the top ten suppliers of wines and spirits in the US. with brands such as Cutty Sark, Scoresby Rare, Canadian LTD, Benedictine, Delamain Cognac, Laphroaig, Antinori and Bollinger.

THE FUTURE

In the first three months of 1986, offlicence and restaurant sales have increased, and beer volume is well up on last year.

We're confident of achieving another satisfactory annual result, and by way of celebration, we'd be delighted if you'd have one on the house: telephone our Publications Department. on 01-606 4455, or complete the coupon and we'll send you a free copy of our Annual Report.

PLEASE SEND ME A COPY OF THE 1986 WHITBREAD ANNUAL REPORT AND ACCOUNTS.

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	WHITBREAD
I I I I I I I I I I I I I I I I I I I	PUBLICATIONS DEPARTMENT, WHITBREAD AND COMPANY PLC, BREWERY, CHISWELL STREET, LONDON ECTY 4SD. TELEPHONE 01-606 4455.

BUSINESSMAN'S DIARY

IK TRADE FAIRS AND EXHIBITIONS

July 29-Angust 3 July 29-Angust 3 July 29-Angust 3 British Music Fair — MAKING July 1-5 Kenilworth MUSIC (01-385 1200) Olympia July 31-Angust 3 July 31-Angust 3 July 31-Angust 3

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July 31-August 3 International Froductica Engin- National Fitness and Health exting and Productivity Exhibit. Exhibition — PHYSICAL (0273 tion and Conference — PEP (01- 206732) Kensington Exba. Centre 391 5051) Olympia August 5-10 July 8-10 Woman's World Exhibition (0272 International Control Control

July 8-19 July 8-19 International Satellite and Cable TV Exhibition and Conference-CABLE (01-888 4468) Education, Training and Person-nei Development Exhibition and Conference (01-637 2400) July 14-17 NEC Birmingham July 14-17 Woman's World Exhibition 215206) Woman's World Exhibition 215206) August 7-19 Collectors Fair for Antiques and Memorabilia (021-780 4171) Memorabilia (021-780 4171) Memorabilia (021-780 4171) Memorabilia (022-780 4171) Memorabil

July 14-17 International Water Exhibition August 31-September 2 and Conference WORLD International Jawellery Exhibi-WATER (0923 778311) Olympia tion (0935 20721) Barbican Centre

WALER (0923 778311)Olympiaton (0935 20721)July 15.17Barbican CentreSystems for the City ExhibitionSeptember 1-5Castings and Forgings Exhibition;Castings and Forgings Exhibition;July 16-18Girgen CentreJuly 16-18Girgen CentreJuly 20-24Metallurgical Plant Exhibition;Gift Trade Fair (0282 867153)Metallurgical Plant Exhibition;Harrogate Exhibition CentreSubcontracting Exhibition, in-July 24-27Acorn Computer User ChristmasShow (01-349 4667)Barbican Centre

OVERSEAS TRADE FAIRS

July 7-11 International Powder Metallurgy MASSAN (01-486 1951) Exhibition and Conference (01-493 3893) Dusseldorf Finish Fashion Fair (01-486 1951) International Laboratory Fourier 21 Sector 10 5 July 21-241951)HetsinkiInternational Laboratory Equip-
ment Exhibition — LABEX (021-
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Not 240 7013) Angust 17-23 City Planning Exhibition (021-Xiamea September 17-24 Engi International Engineering Fair August 20-23International Engineering FairOffice Technology and Computer(021-455 9600)BraoExhibition (01-486-1961)September 23-23Kuaja LumpurInternational Road, Rail, Sea and
Air Transportation ExhibitionAugust 22-31Air Transportation ExhibitionInternational Trade Fair (Cop(01-968 4567)Guangzhou August 20-23

BUSINESS AND MANAGEMENT CONFERENCES

Savoy Hotel, WC2

July 18 July 1-3 British Institute of Energy Legal Studies and Services: Economics: The future of UK Mergers and acquisitions --North Sea oll and gas (01-398 strategic tax and accounting 5778) Whitehall issues (01-236 4080) Royal Lancaster Hotel, W2

July 2 The Industrial Society: We're making it happen -- industry works for people (01-839 4300) The Royal Albert Hall London Chamber of Commerce: Seminar on the cause and effects of the "big bang" (01-248 4444) Savoy Hotel, W2 August 26-28 July 2-3

Jnly 2-3 International Business Commu-nications: Tax aspects of inter-national treasury management (01-236 4080) Cafe Royal, W1 August 25-28 FT Conference: World aerospace to the end of the century (01-621 1355) Hotel Inter-Continental, W1

1355) Hotel Inter-Conferences: Euro-Euromomey Conferences: Euro-bonds '36 New opportunities in creative markets (01-236 3283) Grosvenor House, W1 Jaly 7-9 City Financial Conferences: The 1986 Insurance Information Ex-change (01-242 5275) Comparght Rooms, WC2 July 7-9 September 8-10 Institute for Personnel Manage-ment: Personnel statistics (01-946 9100) Embassy Hotel, W2

The Institute of Petroleum: Introduction to petroleum economics (01-636 1004) 61 New Cavendish Street, W1 946 9100)

61 New Cavendish Street, W1 61 New Cavendish Street, W1 July 8-9 Crown Eagle: Defence contract management and negotiation (01: 935 4433) Regent Crest Hotel

management and negotiation (01-242 4111) The Tower Hotel, E1 September 11 SFS: Stress (01-736 0134) July 9-12 HS Conferences: Three days of The Royal Garden Hotel, we theft, fraud and negligence (01-935 2382) Cafe Royal, W1 Euromoney two-day seminar: (1) Options—a risky business? (2) Hadzing can be fun (01-236

PARLIAMENTARY DIARY

Commons

and Lords

this week

Commone: Gabam on mo

TODAY

Commons: Gabam on motion to ppprove the statament on the detence stimates 1986. Lorde: Thild Readings of the Read Traffic Regulation (Parkins) Bill, Con-sumal Safety Bill, Protectors of Mill-tary Remeing Bill, and the Childise and Young Persons Bill. Societ Seaurity Bill (committee). Motione on Northarn Ireland Orders. Select Committees: Home Affaire Sub-committee on Acce Relations and oralization. Subject: Review and oralization. Subject: Review and oralization. Subject: Review and oralization. Subject: Review and oralization. Subject: The situation in Bouth Africs. Winness: Or Onle Worrall, South Africe, Bubject: Long-term trange in resources and public expendi-ture. Winnessa: Ex-ministem (Room 15, 4.45 pm).

TOMORROW

Commons: Continued dobate on p motion to approve the statement on the defence satimates 1988. Timetablo motion on the Europea Communities (Amendment) Bill.

(Amendment) Bill. Lords: Insolvency Bill (report). Perlumentary Constitusecies Bill, Committee on Recommitment. Pro-tection of Children (Tobacco) Bill. (third reading). Forestry Bill (third reading). Olsabiod Persone (Services, Consultation and Ropresentation) Bill (third reading). Gas Bill (report). Motions on eocial security regulatione.

WEDNESDAY

THURSDAY

Commons: Debate on outstanding reports of the Public Accounts Com-mittee to which the Government has replied. Remaining prages of the Outer Space Bill (Lords).

business

WEEK'S FINANCIAL DIARY

The following is a record of the principal business and financial engagements during the week. The board meetings are mainly for the purpose of considering dividends and official indications are not always svailable whether dividands concerned are interims or finals. The sub-divisions shown below are based mainly on last year's timetable.

COMPANY MEETINGS Albany Inv 1st. Fort of Liverpool Bidgs.. Pier Head, Liverpool, 2.30 Ango-Ahridan Financa, 43. Petter Lane. EG Inthi- National Motorcycle Museuw Coventry Road, Bickeshill, Sollhall, West Midlands, 11.00 Bristol Waterworks, Bridgwater Road, Bristol Waterworks, Bridgwater Road, Bristol Waterworks, Bridgwater Road, Bristol Stateworks, Structure, 10.00 North Scitish Canadian Inv., 25, Cher-lotte Scuare, Edindergh, 12.00 BOARDS MEETINGS Parambe, 125, Nigh Hollowr, WC, 12.00 BOARDS MEETING Grotham House Joseph (Locoold) Lister Mercury (Intel Mecury (Intel Webac Derby 7st 7:3000 1095-2003 34pc Derby 7st 7:3000 1095-2003 34pc Descutter Brds 8 25pc/fr 2.8280 Dialoma 19 pcLn 1990-98 54pc

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Commons: Motions on Social Security regulations, until 7.00 pm. Considera-tion of Lords amendments to the Hous-ing (Sottand) Bill, Alrports Bill the Orug Trafficking Offences Bill. Lin 1933 92 Oluc. Olucitizob 1993-93 Bactor Signetistob 1983-93 4 4ec. Biggin Signetistob 1983-93 4 4ec. Bigginson Signetistob 1983-80 Signet Bigginson Prom. 6/jocistob 1983-80 Signet Bachool 1983-86 Signet Bachool 1983-86 Signet Bachool 1983-80 Signet 1992 240c. 7/jocistob 1992-97 Signet Signet 1906-91 Signet Bigginson Hodge Packa 1995-90 4/pc Bowthores Hidge Tocka 1900-95 Signet Bowthore Hidge Tocka 1900-95 Signet Bowthore Hidge Tocka 1900-95 Signet Lords: Agricultura Bill (report). Northem Imland (Emergency Provi-atons) Act 1976 (Continuction) (No. 2) Older 1986, motion for epproval. Bions) Act is to interval and i

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Consultative Commutes, freehour 2000 (Rosm 17, 4.15 pm). Environment, Subject: Historic Bulld-Inss and Ancient Monumonts. Wri-nesses: Association of Councils (Room 20, 4.30 pm). Foreign Affairs, Subject Oversses Development Administration bilateral country programmes. Wri-ness: The Independent Gisup an Brillsh Aid (Room 15, 5.00 pm). Com-mititees on Private Bills-Postypridd Merkets Pairs and Town Hell Bill (Room 13, 10.00 em). Unopposed bills. British Reliwoys (No. 2); Alcoholics Anonymous (Dispositions); Cliften Suspension Bridge (Room 9, 4.00 pm).

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Financial Times Monday June 30 1986 the English Stores 4.25p 1 Union Assorance SpCPt 1989-2009

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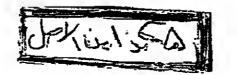
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Financial Times Monday June 30 1986 Last Dry Gry Pre ENGINEERING—Continued 30 BRITISH FUNDS Bividentis Price Lasti Die Yild Pald Stack & all Gress C'w/Gr's Date: 121 **Sharts** (Lives mp to 21 May 20 wolEast, 14c; 1985. 22 May 21 WolEast, 27g; 1785. 22 May 21 WolEast, 174g; 1787. 10 Aug 10 FebTres; 10 WolCr 87 20 May 24 Hole 22 Jone 1987. 20 May 24 Hole 22 Jone 1987. 21 How 10 MayFunding 6-2 (1987. 12 How 10 MayFunding 6-2 (1987. 12 May 14 MayFree Jone 1987. 25 Jan 28 Jan Tress Type; 1987. 26 Jan 28 Jan Tress Type; 1987. 26 Jan 28 Jan Tress Type; 1987. 27 May 29 May East 1987. 27 May 29 Coll Tress, 49 Jan; 78 Barney 20 Coll Tress, 49 Jan; 78 May 20 Coll Tress, 49 Jan; 78 May 20 Coll Type; 1987. 27 Aug 25 Coll Tress, 49 Jan; 78 May 20 Coll Type; 1987. 27 Aug 25 Coll Tress, 49 Jan; 78 May 20 Coll Type; 1987. 0 Work & May Frees, Spc 1990 15 Dec 15 Juni Tress Bar (1997-011) 25 Apr 25 Oct Tress, 10 pc 1990 21 May 26 Nov Exct 2 rpc 1991 30 Juni 10 Jan Frees, 12 Npc 1991 30 Juni 10 Jan Frees, 22 Npc 1991 15 Mar 12 May Tress, 3pc 1991 15 Mar 1
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Financial Times Monday June 30 1986 31 MINES-Continued INOUSTRIALS Continued Last Der C'w Gra INVESTMENT TRUSTS Cont. Last Dry Thi Slock Price to Net Civ Brb FINANCE, LAND-Cont. LEISURE-Continued PROPERTY—Continued Pnct Last Bir 'Y'ng Biridends Last Bir Y'ng BCk Price zd I Net C'vr Gr's P-E Paul Stack Price zd Net C'vr Gr's P-E Last Dir Yhi Stack Price vi Net C'vr Gr's PE Stock Drendziedze : Last Die Y1d Pand Stock Price zd Kat C'vr Gr's PE
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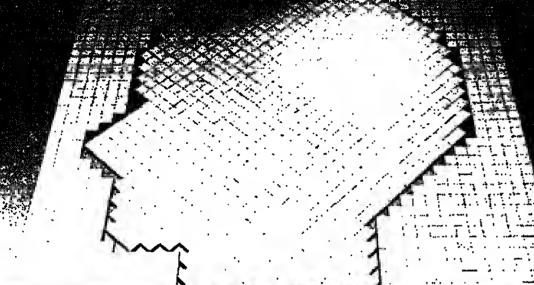
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CONSTRUCTION The Grand Hotel is

BY JOAN GRAY, CONSTRUCTION CORRESPONDENT

GRAND HOTEL Brighton, devastated by the IRA bomb which exploded bove the room where Mrs Maragaret Thatcher, the Prime Minister, was staying on the night of October 12, 1984, will reopen for its first guests in August

It will have been pletely revamped, repaired and refurbished in a £10.5m contract carried out by the Jewellyn Group. Of this, £3.5m was spent

or mis, 23.5m was spen repairing the bomb damage and \$7m on a complete re-furbishment to restore the ornate Victorian hotel—built in 1862 — to its former glory as a showpiece on Brighton's seafront.

"It's strength lies in the grandness of the building, which is its way of competing with the more modern hotels in Brighton, and our job has been to restore this," said Mr David Llewellyn, the con-tractor's managing director and newly-inaugurated presi-dent of the Chartered Insti-tute of Building.

His company, based farther long the south coast at Eastbourne, has been working for the hotel's management for

Liewellyn won the to rebuild the Grand in com petition with Longley, another locally-based builder, which started the urgent repair work on the night of the

The management contract The management contract was awarded after both con-tenders had been inter-viewed on their plans for the job by the hotel's owners, Greenall Whitley. Llewellyn emoted the lowest price.

quoted the lowest price. The main structural work has been to rebuild the floors and walls which were shattered by the blast and by the 60 cn metre chimney stack which was dislodged in the explosion. It fell through seven floors, destroying the central section of the build-ing and burying senior members of the Conservative Party, including Mr Norman Tebb#

Once the debris and re-mains of the old timber floors were cleared away, the struc-ture was rebuilt with a reinforced concrete frame



Restoration after the bomb damage (left) is almost complete (right).

fibre copy, as have many of the decorative carvings and the huge stone shield in the

the huge stone shield in the centre of the roof. Mr Llewellyn sakd: "The deconative shield, carvings, and chimneys were essential to the appearance of the building, but we replaced them with replicas in glass fibre to cut the huge weight the new roof would have to carry." CALLY.

The contract also involved replacing and repairing the delicate Victorian moddings of shells and flowers which blast or eaten away by dry The new mo

prepared and painted by sub-contracter Clark and Fenn, a specialist in fibre plaster which had, as Llewellyn's project manager Mr David Goward put &, "one man just moulding they flowers for a whole week."

The refurbishment has also involved redecorating and modernising all the bedrooms —including converting five rooms along the front of the hotel to a new Presidential note: to a new residential suite, complete with accom-modation for security guards for those who would once have brought their buffers and ladies maids. It has also included instal-

ling a new swimming pool jucuzzi and nightcheb in the

Ine TARMAC CONSTRUCTION are pleased to ba

Financial Times Monday June 30 1986

Monk. build to last

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associated with yet another quality multi-million pound refurbishment development for **REGALIAN PROPERTIES PLC.**

This is a Design and Managament Contract in association with Gablecross Project Management Ltd and the GTD Partnership. Major re-landscaping design by Brian King Associates. TARMAC CONSTRUCTION are managing over 20 Package Contractors, some of whom ara listed below:-

Ken Negus Ltd. - External Cleaning P. J. Carey (Contractors) Ltd. - Ground works. Hard landscaping Farren & Sons - Plumbers and Drainage Custom Made Commercial Ltd. - Windows Hammond & Champness - Lifts The Kaybore Thermic Lancing Co. Ltd. - Structural works & drilling Paulton Painting Contractor Ltd. - Painting Hayward Contracting Limited - Carpentry & Joinery Phoenix Security Services Ltd. - Security Cucine Italiane - Kitchen fitting supplies & fixing Towns-Wadey & Co. Limited - Builders work Ouick-Fix Scaffolding Co. Limited - Scaffolding Westminster Electrical Services Limited - Electrical North London Dry Lining Limited - Paritioning Harbour & Baker - Glazed Tiling



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WORLD STOCK MARKETS

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NEW YO	ORK							Ind	ices						
			June	June	June	191	36	Since Cmp	1	gr i	June 26	June 25	June 24	High	66
OOW JONES	June 27 1885.26	June 85 1880_2	25	24	93	1685.50	502,25	Highi Low	AUSTRALIA All Ord. 11/1/80) Metals & Mnis. (1/1/80)	1188.5 684.5	1180,1 589,7	1195.7 . 509,0		1247,0 (7,5) 602,5 (24/5)	1\$10,1 4\$1,1
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Trensport	777,50	775,13	762,13	781,13	782,53	839,84 E		868.84 -12.52 5115186 8/7/84	BELGIAN Brussels SE (1/1/80)	5559,92	3658,96	5575.78	3656.64	8700,18 (24/4)	2768.31
Utililica ···· ··	198.78	195.49	195.02	191.04		156.76 1 27/6	68,47 42 1	198.78 10.5 27/6/86', \$ 4/33	OENMARK Copenhagen SE (6/1/88)	275.82	215.18	217,4	\$17,31	250.70 (18/4)	214,27
eDay & High STANGARD A	NO POO	90 189 R'3		_	71.34			249 59 4 40	FRANCE CAC General (61/12/82) Ind Yendance (81/12/82)	868.15 188,49	858,7 185,1	858.7 188.5	646,8 181,1	411,3 (15/5) 154,3 (12/5)	267.6 181.6
Composite :						\$78.60 2	24,88	278,60 3,52	GERMANY FAZ Aktien (51/12/55) Gommerzbank (11/12/55)	646.54	657,42 1928,1			253,88 (17,4) 2278,8 (17,4)	S18,34
Financials		22.38		28,23		81.15	25.19	81.13 8.64 14/5/80 1/10/74	HONO KONG Hang Seng Bank/51/7/64)	!					
N.Y.J.E. COMPOSITS	143,18	142,67	141.72		1 1 1 1 1 1 1 1 1 1 1 1 1 1 1 1 1 1 1	146, 16 i 27 6	17,75 22/1	145.16 4.46 27:6/86-25/4/4	ITALY anca Comm Ital. (1972)	855,49	684,92	871.71;	\$74,88	\$08,28 (20/5)	454,87
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3 end P Indus S and P Ind P	Erelia	2.97 17,86	17	_	9,92 18,03	3.0	23	8.77 11.54	SINGAPORE Straits Times (69/12/89)	762.14	758,02	771.44	766,73	776,88 (23/6)	585.54
TRADING ACT		llions June 26	10449 10449	Rises -	raded	1,943	1,	e 26 June 25 31 : 1,959 720 964 764 598	SOUTH AFRICA JSE Gold (21/9/78) JSE Indust (28/9/78)	Ξ	1248.2 1176.6	12 58, 7 11 7 5,7 :	1276.0 1172.8	1507,9 (27/1) 1203,1 (20/5)	1 (09, 1 1668,3
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CANAD									SWEDEN Jacobson & P (81/12/56) :	2438,85	2428,45	2759,1	2403.87	\$451,79 j17/61	1729,57
TORONTO	 10116 27	26	Jun s 25	June . 24	June 25	High		86 Low	SWITZERLAND Swiss BankCom (51) (12/58)	562.7	\$£1,1	558.1	660,6	825,5 (8/1)	554,7
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When will it dawn on you? North America's major ntres, coast-to-coast, the imes is being delivered in When the ET chart a grining on a

In many of North America's major business centres, coast-to-coast, the Financial Times is being delivered in time for breakfast.

It's an eye-opening development... made possible because the FT is now printed in the U.S. Transmitted from London via satellite each evening, it goes on press during the night and is ready for distribution before midnight. Imagine. For the first time, you can get the FT when you need it most: before the pressures of business start to encroach on your time.

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opportunities lost. Here are the cities where the FT is available by hand-delivery each morning. Atlanta, Boston, Chicago, Dallas, Detroit, Miami, Houston, Los Angeles, New York, Philadelphia, Pittsburgh, Seattle, San Francisco, Washington, Montreal and Toronto. On the list? Good.

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FINANCIAL TIMES Because we live in financial times.



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Financial Times Monday June 30 1986 -34 YORK STOCK EXCHANGE COMPOSITE CLOSING PRICES Closing prices, June 27
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 <thD ในสนีดสลอยับสีสมัยสีสีสะยักษณีชื่มตัดจัดสีสารยังของอัตชีนี้ ขั้นจะกัดสอบัตชีแล้วยัดสล้อมีสลีสสีสสีสสีสสีสสีสสีสสีสสีสสีสสีสัสสีขัดเมือนลับดิวิภัณฑีชีสรีสีสรีสัตว์แล้วสีสารยังกัดสีสรีสัตว์เสีย เห็นสีขึ้นสีสารยักษณีชื่อตามสารยังกับสีสารยังของสีสีสีสารยังที่สีสารยัดที่สีสีสสีสสีสสีสสีสสีสสีสสีสสีสีสีสารที 2339220356101261198783127832168271733921951431396736382823119865172388822206 -14 14 4191 - 3 + 1 + 1 + 1 + 1 382927892793432757482713325624335824389253344282828488282832575252525252524242888728252952 ኯጚጚዸ፟ቒኇፙጟጞቚቑዄዹኯቔ፝ጟቒቘዄቘጚጜዄዄቒ፝ጟፙቘቒ፝ቒ፟ቜቘጚጟ፝ቔቘጜጚዸ፝ቔ፟ዄቘጞዾጟጜጚዾቘዹዾፙቘቒ፝ቘ፝ዾዄጜዹጟ፝ኯዸ፟ፙኇኇዸ፟ዸ፝ዄዿ፟ቘዄቘቒቒ ኯጚጚዸቒኇፙጟጞቚቑዄዹኯቔጟቒቘዄቘጚጜዄዄቒጟፙፙቒቒቜቘጚጟ፝ቔቔፚጚዸ፝ዻ፝ቔ፟ዄቘጞዾጟጜ፟ጚዿቚ፟ኇዾፙጜፙቒ፝ቘ፟ዾዄጜዹጟ፝ኯዸ፟ፙኇኇዸ፟ዸዄዿ፟ቘዄቘቒቒ V.V. 11-14-14 Continued on Page

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		TISE CUMPUS	TE CLOSING PRICES	AMEX COMPOSITE CLOSING PRICES
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$\frac{1}{12} + \frac{1}{12} $	40:6 31:5 Racki 19: 103 Roth 35:4 21:9 Rinn 35:5 Royet Royet 4: 31:7 Ropet 4: 5:7 Royet 4: 6:7 Royet 3:1 Si: Si: 5:1 Si: Royet 5:1 Si: Si: 5:1 Royet Si: 5:1 Si: Si: 5:1 Roth Si: 5:1 Si: Si: 5:1 Si: Si: 5:1 Si: Si:		2 3 62 62 62 62 62 62 64 72 435 Xerox 3 3 4355 55 56	$\begin{array}{cccccccccccccccccccccccccccccccccccc$	$\begin{array}{c} \begin{tabular}{ c c c c c c c c c c c c c c c c c c c$	For Am. B, 9773 365; 36 307; 36 307; 36 307; 37 307; 30 300; 30 300;
value it is to you as a working document. Service in CHENT So you can start your business day with the finest international news briefing in the world. For further day with the finest international news briefing in the world. For further day dealabove, Tel: 02/513.28.16. Tel: 02/513.28.16. Te	For an incre best possible The earlier a working d Now the Fin service in a the work for further information please conta Philippe de Dorman	solution is a set of the set of	2018 33 310 211 211 111 211 211 111 211 211 211 211 211 211 18 211 111 111 112 112 112 111 112 111 112 111 112 111 18 211 1111 112 112 112 111 112 111 112 111 112 111 18 211 112 112 114 113 111 112 111 112 111 112 111 18 21 112 112 114 113 111 111 111 112 111 112 111 18 22 314 311 113 111 112 111 112 111 112 111 112 111 19 22 23 112 23 113 113 111 112 111 112 111 112 111 112 111 112 111 19 22 23 12 23 13 13 11 113 211 211 112 111 112 111 112 111 112 111 112 111 18 22 314 311 113 211 211 113 211 111 112 111 112 111 112 111 112 111 112 111 112 111 112 111 112 111 112 111 113 111 113 111 113 111 113 111 113 111 113 111 113 111 113 111 113 111 113 111 114 111 113 111 114 111 114 111 114 111 114 111 114 111 114 111 114 111 114 111 <td>$\begin{array}{cccccccccccccccccccccccccccccccccccc$</td> <td>$\begin{array}{cccccccccccccccccccccccccccccccccccc$</td> <td>$\begin{array}{cccccccccccccccccccccccccccccccccccc$</td>	$ \begin{array}{cccccccccccccccccccccccccccccccccccc$	$\begin{array}{cccccccccccccccccccccccccccccccccccc$	$\begin{array}{cccccccccccccccccccccccccccccccccccc$

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CURRENCIES, MONEY and CAPITAL MARKETS

LIFFE LONG GILT FUTURES OPTION

 Strike
 Catis-Last
 Prom-Last

 price
 Sept
 Dec
 Mar
 June
 Sept
 Dec
 Mar

 116
 8.37
 7.22
 8.27
 1.30

 118
 4.82
 8.62
 0.52
 2.06

 120
 1.37
 d.49
 1.27
 2.57

 122
 2.28
 3.46
 2.17
 3.55

 124
 1.37
 2.54
 3.27
 4.52

 124
 0.61
 2.08
 3.27
 4.52

 126
 0.61
 2.08
 4.57
 3.18

 128
 0.32
 1.38
 6.25
 7.44

 130
 0.18
 1.07
 8.08
 9.10

 Estimated volume total, Calls 745, Pute 40
 8.494
 1494

Catila-Last Sopt Dec Mar 8.37 7.22 -4.62 8.62 -1.37 6.43 -2.28 3.46 -1.27 2.56 -0.61 2.08 -0.13 1.87 -0.13 1.87 -0.13 1.87 -

FOREIGN EXCHANGES Dollar to fall in spite of support

BY COLIN MALIHAM

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The dollar is variable, within s fairly narrow range at present, and in the absence of unforeseen events there is little reason fo expect any great move until the middle of July, when second quarter US gross national pro-duct growth is made known.

. outri growth is made known. 5 The long weekend holiday in 5 the US, for Independence Day on July 4, and the Japanese geogral election on July 6, are likely to keep trading thin and cervous during the early part of aext month. During the left two months

During the last two months During the last two months the dollar has been locked within a range of DM 2.20 to DM 2.30 against the D-Mark, apart from a brief fall to DM 2.17 in mid-May, and a climb to DM 2.250 at the end of the month. The mid-May fall was inspired by demand for the yen, with the dollar touching a record trading low of Y159.99 in Tokyo. Apart from these two obort flurries, the market has failed to push the dollar outside a 16 pfennig range. Upward moves appear to have been largely fuelled by technical chart con-siderations, where the currency fuelied by technical chart con-siderations, where the currency breaks through resistance and may then move quite swiftly to another point. Calculated by technical analysis of market trends. But if it stalls at any of these levels, the downward cor-

£ IN NEW YORK June 97 Ciose Prev. close

C \$pot 151,5615-1,5225 (51,5216-1,5229) 1 month 6,39-0,88pm (0,380-0,37pm 5 monthe 1.09-1,07pm 1,05-1,03pm 12 monthe 35,65-3,56pm 5,36-5,48pm Forward premiums and discounts apply to the US dotter

 12 months 15,65.5,65 m [5,66.5,465 m]

 12 months 15,65.5,65 m [5,66.5,465 m]

 13 months 15,65.5,65 m [5,66.5,465 m]

 14 months 15,65.5,65 m [5,66.5,465 m]

 15 months 15,65.5,65 m [5,66.5,465 m]

 16 months 15,65.5,65 m [5,66.5,465 m]

 16 months 15,65.5,65 m [5,66.5,465 m]

 16 months 15,65.5,65 m [5,66.5,465 m]

 17 months 15,65.5,65 m [5,66.5,465 m]

 17 months 15,51.5,100 m]

 17 months 15,51.5,100 m]

 17 months 15,51.5,100 m]

 17 months 15,51.5,100 m]

 18 month 12,51.5,100 m]

 19 months 15,51.5,100 m]

 10 months 15,51.5,100 m]

 10 months 15,51.5,100 m]

 10 months 15,51.5,100 m]

 11 months 15,51.5,100 m]

 12 months 15,51.5,100 m]

 13 month 10 m [10 m]

 14 months 10 m [10 m]

 15 months 10 m [10 m]

 16 months 10 m [10 m]

 17 months 10 m [10 m]

 18 month 10 m [10 m]

 19 months 10 m [10 m]

 10 months 10 m [10 m]

 10 months 10 m [10 m]

 11 months 10 m [10 m]

 11 months 10 m [10 m]

 12 months 10 m [10 m]

 13 months 10 m [10 m]

gan's Administration bave indi-csted on several occasions that unless countries with strong economies, such as Germany and Japan, are prepared to accept faster economic growth rates the dollar will continue to fall to correct the imbalance of trade against the US. It should be noted however that in spite of a fall in the value of the dollar to around DM 2.20 from nearly DM 3.00 since the Group of Five agree-

CURRENCY RATES

rate %

June 97

Jepse Austris Switz

June 96

Long-term Eu

บร

CURRENCYMOVEMENTS OTHER CURRENCIES

June 27	Bank of England Index	Guaranty Change 1	Arg'tina1.8415.1.84350.8800-0.8100 Aus'alia
Starling U.S. dollar Canadian dollar Austrian schilling. Beigian Iranc Danish Kronor Devische mark Swiss Iranc Franch franc Ure	78.9 118.0 78.4 126.5 25.4 86.1 1335.3 160.9 120.3 69.9 46.2 907.0	$\begin{array}{c} -15.2 \\ +5.8 \\ -19.5 \\ +7.1 \\ -7.3 \\ -1.0 \\ +14.8 \\ +17.9 \\ +9.3 \\ -13.4 \\ -17.9 \\ +89.5 \\ \end{array}$	Brazi
Morgan Guaranty 1960-1982=100. Bas (base sverige 197	nk of Eng		Cerrection for June 28; Finland \$5.1550- 5.1570, S'Al (Fn) £5.4555-6.7425.

(base average 1976=100).

POUND SPOT-FORWARD AGAINST POUND

Day's spread % Three p.s. months
 p.s.
 months
 p.s.

 3.02
 1,10-1.05 pm
 2.81

 1,75
 8.64-0.50 pm
 1.08

 3.65
 3%-3% pm
 2.62

 3.04
 48-40 pm
 2.53

 2.10
 42-3% pm
 3.62

 2.41
 49-40 pm
 2.53

 2.40
 42-3% pm
 5.15

 -8.85
 250-760 dis
 -3.16

 -8.85
 250-760 dis
 -2.85

 -3.85
 10-23 dis
 -2.85

 -3.85
 10-23 dis
 -2.85

 -3.85
 10-23 dis
 -3.26

 -3.85
 10-23 dis
 -3.26

 -3.85
 10-23 dis
 -3.26

 -3.85
 10-23 dis
 -0.65

 5.34
 3% 3pm
 5.0

 5.42
 3% 3pm
 6.0

 5.42
 3% 3pm
 4.5

 5.42
 3% 3pm
 4.5

 5.42
 3% 3pm
 4.5

 5.42
 3% 3pm
 4.5

 5.42
 3% 3pm
 5.4 One month June 27 Close p.e.
 spread
 Close
 One month

 1.5165-1.5300
 1.5290-1.5300
 0.40-0.37c pm

 2.1129-2.1224
 2.1186-2.1220
 0.360-0.27c pm

 3.784-3.804;
 3.794-3.604;
 17-10 pm

 66.69-09.10
 69-09-68.10
 20-15c pm

 1.2474-712.53
 12.61-12.52
 22-11/0 rs pm

 9.364-3.374
 3.384-3.374
 13-15c pm

 9.364-3.374
 3.384-3.374
 14-15gh pm

 227.92-230.73
 229.00-230.70
 90-250c dis

 2351-6.218.28
 21:70-210.05
 10-210c dis

 2054-2.374
 10.494-10.575;
 24-25c pm

 11.477-11.524
 11.494-10.575;
 24-25c pm

 10.260-10.331;
 10.300-10.575;
 24-25c pm

 10.862-10.331;
 10.300-10.575;
 24-25c pm

 10.862-10.331;
 10.300-10.575;
 14-90 pm s

 23.485-231,
 10.300-210.575;
 14-90 pm s

 23.485-231,
 10.302-210.575;
 14-90 pm s

 23.485-231,73
 22.69-23.73
 140'p s Bm pm

 2.57-2.77
 2.78-2.77
 14-16 pm

 <t Canada Caneda Nechind. Belgiura Danmark Iroland W. Ger. Fortugal Spain Itely Morway Franco Swaden Jugar Austria Switz, Belgian rate is for convertible insecs, Financial frame 68.75-69.85, Sik-month lorward dollar 2.05-2.00c pm. 12-month 3.73-3.63c pm.

FORWARD RATES AGAINST STERLING 1-month . 3-month 6-month ... 12-month .

 X
 regine
 Unit

 0.770618.0.638017

 81a
 1.71388.0.970069

 0.79
 1.34691

 4
 19.9446

 10.1834
 7.96724

 7
 9.62948

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 1.9.9446

 9.99448
 1.9.8478

 9.9943
 5.41821

 9.9943
 5.41821

 9.9943
 5.41821

 9.9943
 9.733249

 166.901

 10.94323
 7.33249

 166.901

 9.12948
 1.76814

 9.12948
 1.76814

 9.12948
 1.76814
 Cione 1 90.80 9 90.85 9 90.85 90.43 90.49 90.49 Sept Dec Merch June Sept Enjimetr Previous at day's op 8 N/A 0.95069 4 9.12946 1.76814 9014 N.A. 136.969 - 6.86819(7) 0.71147 FT-SE 100 INDEX Ciose 164.10 16 186.90 ,16 . CS/SDR rate for Juse 27: 1.63050. (1) SDR rate for: June 25. 169.70 June 27 June 27 UKt Inelandt Canada Mathind. Befgium Canneck W. Ger. Portugal Spain Italy Narway France Sweden Japas

18.43%-15.59% 15.50%-15.50% 3-28ro pra 1.8040-1.8785 1.8070-1.8080 0.37-0.32a pra

EURO-CURRENCY INTEREST RATES 7 Days

714-746 631-734 4-4-412 814-8 7-714

YES

term

140 41.44 7.10 9-11

714-745 644-718 614-644 9-914

bet cat

† UK and instand are quoted in US currency. Forward premiums and discounts apply to the US doltar and not to the individual currency. Belgun rate le for convertible frances. Financial franc 45.60-45.70.

Honth

10.4-10.4 10.4-10.4 614.714 612.714 8.514 612.817 8.4 614 612.817 8.537 818.614 4.3 4.5 416.614 718.714 14.415 718.714 714 714 714 114-124 1154-1254

Special European Drawleg Currency Rights Unit

DOLLAR SPOT-FORWARD AGAINST DOLLAR
 Day's spread
 Ciose
 One ments
 %
 Three p.s.
 %

 1.5185-1.5300
 1.5280-1.5300
 0.40-0.27/a pm
 3.02
 1.70-1.05 pm
 2.21

 1.3500-1.3720
 1.3720-1.3700
 0.40-0.37/a pm
 3.02
 1.70-1.05 pm
 2.21

 1.3500-1.3780
 1.3280-1.3800
 0.470-0.26 pm
 3.02
 1.70-1.05 pm
 2.27

 1.3650-1.3781
 1.3280-1.3280
 0.170-0.20 cits
 -1.00
 0.42-0.61 dis
 -1.80

 2.4700-2.4895
 2.4265
 0.170-0.20 cits
 -1.00
 0.42-0.61 dis
 -0.16

 45.10-457.28
 1.97-452
 1.97-452
 1.97-452
 -0.17-0.02 pm
 0.85

 2.2000-2.2000
 0.490-0.22000 cits
 -0.95
 2.75-3.2565s
 -1.46

 150-7152
 1.910-1520
 1.95-411
 1.95-300c cits
 -1.7.97
 3.302-7900 dis
 -9.16

 1510-152.05
 141.20-161
 1.95-411.20
 100-22000 cits
 -12.72
 3.302-7300 dis
 -2.81

 7.11-7.55
 1.510-152.05
 1510-152.05
 1.95-411.20
 1.95-22.2000 dis
 -2.81

1,53 8-5 pm 2,28 0.85-0.81 pm

94 94 014-64 846-87 01:-51 413-51 413-51 413-51

116.19

74-74 7-74 45-44 84-94 84-94 64-64

73-0 67.

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9.93 8.05

• : •

Year

878-7 878-7 834-9

114-113

74.74

Months Months

912-978 913-612 91-814 6-818 814-54 414-438 773-73 115-1918

NEW YORK RATES

dollars: two years 75-75, per cent; three years 77-85, per cent

(4 pm) Prime rate

Staker los

Fed lunds

£25,000 (cents per £1)			£12,500	(cents p					
Strike Calls-Last	Puts-Last		Strike		Is-Last			Puts-La	
price July Aug Sept Dec July	Aug Sept D	6C	1.35	July Au	g Sept - 19.80	Dec 19.80	July	Ang Se	
26 17.65 17.65 17.65 8.00	0.03 0.10 0.	38 90		2.46 0.0	10.00		0.70	6.00 1.	
40 12.65 12.65 12.65 12.65 0.02		83		8,00 8,3			6,10	0.85 1.	50 3.1
45 7.49 7.86 8.17 9.12 0.21	0,79 1,42 3,	33	1.50	1.45 4.6	0 5.40	8.80	0,70	2.16 3.	5.2
50 3.67 4.33 4.90 8.25 1.19	2.28 3.15 5.	47		0.85 2.7			3.15	4.80 5.1	
5 121 199 2.61 4.09 3.73		50		0.20 0.8			7.50	8.60 9.4	
.60 0.25 6.74 1.22 2.53 7.77 stimeted volume total, Calls 36. Puts 1		-		day's o			203. PLM	12.50 13.4	0 15.0
revious day's open int, Calls 3,218, Put	3,548		Volume,	1					
PHILADELPHIA SE E/S OPTIONS E12,500 (cents per E1)				URODOL hts. of 10		TIONS .			
Strike Cells-Last	Puts Last		Strike		is-Last			Pute-La	at.
rice July Aug Sept Dec July				iept De 1.41 1.4		Jane	Sept	Dec Me	n June
30 <u>22.90</u> 22.90 <u>38</u> 17.90 <u>17.90</u> <u>-</u>	- 0.10 0.1			1.17 1.1		-	8.01	0.11 0.2	
40 12.90 - 12.90 13.60 -	- 0.35 1.		92.50	0.54 0.8			0.04	0.18 0.1	2 -
45 8.15 7.10 8.90 9.80 0.05	0.50 1.10 2.			1.72 B.7		-	0.07	0.22 0.4	ø
.50 3.45 3.70 5.70 8.50 0.40 .55 0.75 1.80 2.85 4.10 2.50	1.90 2.50 4.		53.00 (0.52 0.6		-	0.12	0.30 0.5	
60 0.00 0.35 1.25 2.45 6.55	7.60 8.30 10.4			22 0.3				0.52 0.7	
revious day's open int. Calls 30,847, Pu revious day's volume, Catle 403, Puts	its 31,774		Volume.	day's of	pen int.	Calla 65		343	
LONDON	THREE-MONTH		LLAR		CERT	DEPOSIT	(IMMA)	\$1m p	inte of
-YEAR 12% NOTIONAL CILT	Sim points of Class		Low	Prev	100%	Close	High	Low	Prev
50,000 32nde of 100%	Sept ' 53.4	93.42	93,36	\$3.34	June	\$3.65	-	_	93.85
Close High Low Prev	Dec 25.3		83.28	93.25	Sept	53.73	-		53.67
una — — 122.03	March 93.1		93.98	93.05 93.76	Dec	\$3.62		• -	98.55
ept 122-05 123-02 122-05 122-27	Sapt \$2.5			\$2.45	PRAL	_	_		\$3.14
lec 121-28 122-19 122-13 122-18 lerch 121-22 122-12	Dec 82.2	2	-	92.18	THEFE	NOATTH-	E MODI	DILAR (IN	-
une 121-18	Estimated vol	ume 4,031	(4,174)		Sim Pe	pints of 1	00%	Server (III	
stimated volume 6,645 (7,467)	FIRMIOUS CAY'S	open int	17,666	(17,843)	_	_	_		
	i the second second								
revious day's open int 20,533 (21,003)	US TREASUR				Sent	Close St 41	High	01 17	Prev
revious day's open int 20,533 (21,003) lasis guote (clean cesh price of 13%	8% \$100.000 3	inds of 1	_		Sept	53.41 13.32	93.43 93.35	93.37	. 83.35 \$3.25
revious day's open int 20,533 (21,003) lass quote (clean cash price of 13% ressury 2004/05 lass equivalent price if near (utures contract) ~4 to 4	8% \$100.000 3 Cice	Ends of 1 High	Low	Prev	Merch	50.47 10.32	93.43 93.35 93.15	93.37 93.27 93.06	. 83.36 93.25 93.04
revious day's open int 20,533 (21,003) lasis quote (clear cash price of 13% reasury 2004/05 lass equivalent price if near futures contract) ~4 to 4	8% \$100.000 3 Close Sept 18-0	High	Low 98-24	18-15	Merch June	53.47 18.32 51.11 92.11	93.43 93.35 93.15 93.15	93.17 93.27 93.06	. 83.36 \$3.25 \$3.04 \$2.74
revious day's open int 20,533 (21,003) lasis quote (clear cash price of 13% resulty 2004/05 heas equivalent price if near futures contract) ~4 to 4 32hds)	Sapt 35-0 Dac 36-10 Estimated vol	High High 98-10 98-18	10W 98-24 98-13 (5,644)	18-15 57-24	Dec Merch June Sept	50.41 10.32 50.11 92.31 92.49	93.43 93.35 93.15	93.37 93.27 93.06 82.76 92.43	83.XX 83.XXX 83.XXXX 83.XXXX 83.XXXXX 83.XXXXXXXXXX
hevious day's open int 20,533 (21,003) lasts quote (clear cesh price of 13% result 2004/05 less equivalent price if near futures contract) ~4 to 4 32hde) 10% NOTIONAL SHDRT GILT	8% \$100.000 3 Cice Sept 19-0 Dec 98-10	High High 98-10 98-18	10W 98-24 98-13 (5,644)	18-15 57-24	Merch June	53.47 18.32 51.11 92.11	93.43 93.35 93.15 82.24 92.55	93.17 93.27 93.06 82.76 92.43 12.14 11.84	. 83.36 \$3.25 \$3.04 \$2.74
revious day's open int 20,533 (21,003) lasis quots (clear cash price of 13% resury 2004/05 hes equivalent price il near futures contract) ~4 to 4 32hds) 0% NOTIONAL SHORT GILT 100,000 64ths of 700% Close High Low Prev	Sapt 35-0 Dac 36-10 Estimated vol	High High 1 80-10 98-18 Unite 6,535 a peo Just	10W 98-24 98-13 (5,644)	18-15 57-24	Dec Merch June Sept Dec	50.47 52.11 52.37 52.49 52.19	93.43 93.35 93.15 92.55 92.24	93.17 93.27 93.06 82.76 92.43 92.43 92.14 91.94	83.36 \$3.25 \$3.04 \$2.74 \$2.12 \$2.12
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Arevious day'e open int 20,533 (21,003) Sanis quots (clean cesh price of 13% (ressury 2004/06 heas equivalent price al near tutures contract) ~4 to 4 (32hds) 10% NCTIONAL SHORT GHLT (ND,000 64ths of 100% Close High Low Prev hune 102-07 102-12 103-08 102-12 Sept 102-07 102-12 103-08 102-12	Cice Sapt 8-0 Dec 96-11 Entimated vol Previous day CHICAGO US TREASUR 5100.000 32m	Y BONDS is of 100	Low 98-24 98-13 (5,644) (6,644) (6,040) (6 (CBT),1	10-15 97-24 (159)	Dec Merch June Sept Dec Merch June	\$3.47 IR.22 SQ.11 SQ.10 SQ.19 SQ.19 SQ.19 SQ.19 SQ.19 SQ.19 SQ.19	93.43 93.35 93.14 92.55 92.55 92.24 51.96 91.70	93.37 93.26 93.06 92.43 92.43 122.14 91.94 91.58	87.36 93.04 92.74 92.13 97.84 91.54
Arevious day'e open int 20,533 (21,003) Sanis quots (clean cesh price of 13% (ressury 2004/06 heas equivalent price al near tutures contract) ~4 to 4 (32hds) 10% NCTIONAL SHORT GHLT (ND,000 64ths of 100% Close High Low Prev hune 102-07 102-12 103-08 102-12 Sept 102-07 102-12 103-08 102-12	Sapt 8-00 Dec 36-11 Estimated vol Previous day CHICAGO US TREASUR	Ends of 1 High 1 89-10 9 99-18 a per lat 2 Y BONDS is of 100 a High	Low 98-24 98-13 (5,644) £.020 (8 (CBT).1 %	10-15 57-24 ,159)	Dec Merch June Sept Dec Merch June	\$3.47 IR.22 SQ.11 SQ.10 SQ.19 SQ.19 SQ.19 SQ.19 SQ.19 SQ.19 SQ.19	93.43 93.35 93.14 92.55 92.55 92.24 51.96 91.70	93.17 93.27 93.06 82.76 92.43 12.14 11.84	87.36 93.04 92.74 92.13 97.84 91.54
Providous day's open int 20,533 (21,003) Saste guota (clean cash price of 13% (resury 2004/06 less equivalent price al near tutures contract) ~4 to 4 (32hds) 10% NOTIONAL SHDHT GILT T00,000 Settis of 100% Close High Low Prev 102-00 Set 102-07 102-12 103-06 102-12 Estimated volume 118 (130) Previous day's open int 352 (354)	ers \$100.000 Cos Sept 8-0 Dec 8-11 Estimated vol Previoue day's CHICAGC US TREASUR \$100.000 32nc Sept 95-0 Dec 95-1	27 ds of 1 High 1 se-10 9 98-18 Unite 6.533 a open Just Y BONDS is of 100 High 1 99-16 1 99-	Low 98-24 98-13 (5,644) £.020 (8 (CBT).1 % Low 98-21 57-28	10-15 57-24 (159) 7/- 90-11 57-18	CUF	\$2.49 \$2.11 \$2.11 \$2.19 \$2.49 \$1.91 \$1.91 \$1.95	92.43 93.55 93.55 92.85 92.85 92.24 91.44 91.44 91.44	93.37 93.26 93.26 92.43 92.43 92.43 91.64 91.64 91.58	83.86 93.84 92.70 92.70 92.70 97.84 91.55
Provideus day's open int 20,533 (21,003) Baris quotes (clean cesh prices of 13% (neesury 2004/05 less equivalent price al near furthme contract) -4 to 4 32hde) 10% NCTIONAL SHORT GILT CHOD.000 Sethe of 100% Clean High Low Prev Fune Clean High Low Prev Fune Setimated volume 118 (120) Previous day's open int SEZ (354)	eris \$100.000 3 Good Sept 8-0 Dec 38-11 Entimated vol Previous day? CHICAGO US TREASUR \$100.000 32m Sept 95-0 Dec 38-1 Mar 97-11	Ends of 1 High 1 se-10 99-18 unite 6.533 a peo Int Y BONDS is of 100 s High 4 99-16 1 99-26 97-26	Low 98-24 98-13 (5,844) £,020 (6 (CBT),1 % Low 98-21 97-22 97-24	10-15 57-24 (153) 7/- Prev 96-11 57,18 96-25	CUF	\$2.49 \$2.11 \$2.11 \$2.19 \$2.49 \$1.91 \$1.91 \$1.95	92.43 93.55 93.55 92.85 92.85 92.24 91.44 91.44 91.44	93.37 93.26 93.06 92.43 92.43 122.14 91.94 91.58	83.86 93.84 92.70 92.70 92.70 97.84 91.55
Invisional day's open int 20,533 (21,003) Lawis quotes (clean cesh prices of 13%, "ressury 2004/05 less equivalent price if near furtheas contract) ~4 to 4 32nds) 10%, NCTIONAL SHDRT GILT 100,000 64ths of 100% Close High Low Prev Low Prev 102,007 102-12 103-08 102-12 stimated volume 118 (120) revious day's open int 952 (994) NHESSARONTH STERLING	ers stot.coo Sept s-0 Dec 36-10 Previoue day/ CHICAGC US TREASUR Stot.coo 32nc Chicago Sept 95-0 Dec 96-1 Mar 37-11 June 95-2	Ends of 1 High 1 80-10 98-18 Unive 6.538 a peet list Y BOMOS is of 1000 High 4 99-16 1 98-22 97-26 5 97-00	Low 98-13 (5,844) (CBT),1 (CBT	10-15 57-24 (153) 7/- Prev 90-11 57-18 96-25 96-22 96-22	CUF	\$2.47 82.37 \$2.11 \$2.11 \$2.19 \$2.19 \$1.97 \$1	92.43 93.55 93.55 92.85 92.85 92.24 91.44 91.44 91.44	93.37 93.27 93.27 93.26 92.43 92.43 92.44 91.94 91.94 91.94 91.94 91.94	ES
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revious day's open int 20,533 (21,003) Isais gruces (clean cesh price of 13%, ressury 2004/08 less equivalent price i near futures contract) -4 to 4 32hde) 10% NOTIONAL SHDRT GILT T00.000 64ths of 70%. Close High Low Prev Isais 102-07 102-12 103-08 102-12 Stimated volume 118 (120) revious day's open int 952 (994) THREE-MICHTH STERLING 500.000 points of 100% Close High Low Prev ispt 90.80 90.55 90.56 90.58 10.55 90.56 90.58 90.58 Aarch 90.85 - 90.55 90.58 Sol.55 90.98 90.58 90.58 Sol.55 - 90.55 Sept 90.49 - 90.53 Sept 90.49 - 90.53 Sept 90.49 - 90.53 Sept 90.49 - 90.53 T-562 100 INDEX	ers stor.coo a Goo Sept Se-O Dec Se-U Estimated vol Previous day's CHICAGC US TREASUR Sept Se-O Dec Se-1 Mar S-11 June Se-2 June Se-1 Sept S-0 Dec SE-1 Mar S-2 June Se-1 Sept S-0 Dec SE-1 Mar S-1 Sept S-0 Dec SE-1 Sept S-0 Dec SE-1 SE-1 SE-1 SE-1 SE-1 SE-1 SE-1 SE-1	High High High High High De-10	Low 98-24 89-13 (6.844) 5,020 (6 (C3T).1 % 20% 95-21 97-24 95-21 95-21 95-21 95-21 95-21	148-15 57-24 57-24 57-25 57-25 57-12 57-16 56-25 56-25 56-12 56-25 56-12 56-12 56-12 56-12 56-12 56-12 56-12 56-12 56-12 56-12 56-12 56-16	Dec Merch June Sept June Merch June CUI POUNT Sept Jec Mar Sept Dec Mar	SQ.41 B2.32 SQ.11 SQ.17 SQ.19	92.43 92.38 92.58 92.56 92.56 92.56 92.56 92.56 91.56 91.56 91.56 91.56 91.56 91.56 91.56 91.56 91.56 91.56 91.56 91.56 91.56 91.56 91.56 91.56 91.56 92.57 91.56	93.37 93.27 93.26 92.75 92.43 92.43 92.43 92.43 91.56 91.50	ES Pre- Pr
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Provious day's open int 20,533 (21,003) Basis groups (clear cash prices of 13% (ressury 2004/05 Hess equivalent price al near furthme contract) -4 to 4 (32nds) 10% NGTIONAL SHORT GILT CHO.000 64ths of 100% Clear High Low Prev Furts 102-07 102-12 103-05 102-12 Estimated volume 118 (120) Previous day's open int 952 (954) 7HREE-A(CNTH STERLING CS00.000 points of 100% Clear High Low Prev Sept 50.55 90.56 90.56 90.56 Disc 90.56 90.56 90.56 90.56 Disc 90.56 90.56 90.56 90.55 Disc 90.56 90.56 90.56 90.55 Disc 90.56 90.56 90.56 90.55 Disc 90.56 90.56 90.56 90.55 Disc 90.58 90.56 90.56 90.55 Disc 90.58 90.56 90.56 90.55 Disc 90.58 90.56 90.56 90.55 Disc 90.58 90.56 90.56 90.55 Disc 90.59 - 90.57 Disc 90.59 - 90.57 Disc 90.59 - 90.57 Disc 90.59 - 90.57 Disc 90.59 - 90.55 Disc 90.50 - 90.55 Disc 90.55	ers stor.com Sept s-0 Dec 38-10 Previoue day/ CHICAGO US TREASUR Stor.com 32-n Chicago Chicago Sept 98-0 Dec 88-1 Mar 97-11 June 98-2 June 98-1 Mar 83-0 US TREASUR Sept 98-0 Dec 88-1 Mar 83-0 US TREASUR Sept 98-0 Dec 88-1 June 98-2 June 98-1 June 98-2 June 98-2 June 93-9 Dec 88-1 Mar 83-0 Dec 88-1 Mar 83-0 Dec 88-1 Mar 83-0 Dec 88-1 Dec 88-	High High High Double 5,535 Double 5,5355 Double 5,5355 Double 5,5355 Double 5,5355 Double 5,5355 Double 5,53555 Double 5,5355 Double 5,5355 Double 5,53555 Double 5,53555 Dou	Low 98-34 88-13 86-13 6,020 (CaT).: 4 20% 96-12 96-12 96-12 96-12 96-12 96-12 96-12 96-12 96-12 96-13 96-13 96-13 96-13 96-13 96-13 96-13 96-13 96-13 96-13 96-13 96-13 96-13 96-14 96-13 96-14 96-16 96-16 96-16 96-16 96-16 96-16	146-15 57-24 57-24 159) 	Dec Merch June Sept Dec Merch June POUNT Soot 1.5295 Mer Bept Mer Bept Merch Estime	SQ.41 B2.32 SQ.11 SQ.17	92.43 92.35 92.35 92.55 92.55 92.24 91.36	93.37 93.27 93.26 92.75 92.75 92.43 92.43 92.43 91.55 91.50 91.5005 91.5005 91.5005 91.5005 91.5005 91.5005 91.5005 91.5005	ES Prevent 1.5005 1.5005 1.5005 1.5005 1.4005 1

EXCHANGE CROSS RATES

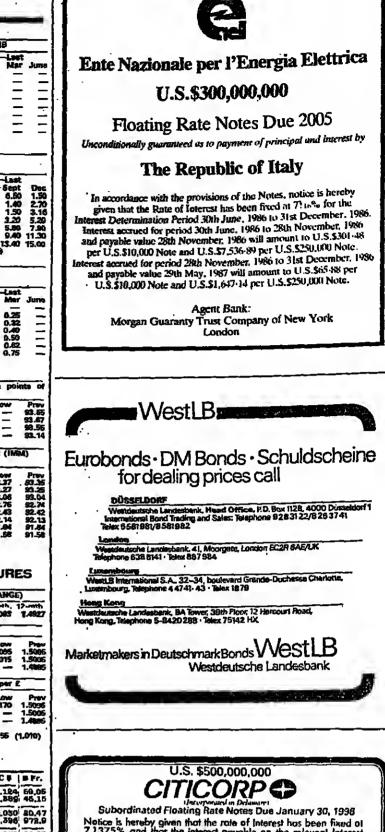
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2	0,654		3,873	165,C						
DM .	0,297 3,953	0,454	13,36	76.02						
FFr. SFr.	0,980	1,492	3,136	986.3	10.	9.071	8.534	9149.	1.278	64,5
111	0,263	0,402	0,887	66.58 109.5	1,653	0.728	1.644	608.2 1000,	0.569	18.1
	6.471									

LIFFE US TREASURY BOND FUTURES OPTIONS

E US INDASLAT BURD FORDERS OF TAME to State Dec Mar June Sent Dec 11.11 11.18 - - 8.09 0.69 8.21 9.41 - - 6.19 1.21 7.37 8.11 - - 9.35 7.56 6.63 8.54 - - 0.61 2.34 4.37 5.41 - - 1.35 3.21 3.24 4.38 - - 2.22 4.18 1.41 2.59 - - 4.36 6.29 mated volume total, Calls 125, Puts 11 dous day's open int. Calls 125, Puts 489 monu de Fre Optiones

LONDON SE E/S OPTIONS E12,500 (cents per E1)

Financial Times Monday June 30 1986



Notice is hereby given that the rate of Interest has been fixed of 7.1375% and that the interest payable on the relevant Interest Payment Date July 31, 1986 against Coupon No. 6 in respect of US\$10,000 nominal of the Notes will be US\$61.46. June 30, 1986, London By: Citibank, N.A. (CSSI Depl.), Agent Bank CITIBANCO

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This adventisement is estuad in compliance with the requirements of the Regulations of the Council of The Stock Eschange. It does not constitute or contain an offer or invitation to any person to subscribe for or purchase any shares of

7,5295 3,3725 10,7525 2,7650 253,0 1,5257 1,5788 1,5098 1,4827 3,5569 3,3287 3,2909 3,2196 10,7279 10,6885 10,6353 10,5391 2,7527 7,7329 2,7476 2,6402 2,51,83 2,49,79 246,63 241,46

EMS EUROPEAN CURRENCY UNIT RATES

	Ecu sentral rates	Currency smounts egainst Ecu June 27	% change from centrel rate	% change edjusted for divergence	nt argence
Seiglen Franc	43.6761	43,9062	+0.53	+6.61	+1.5388
Denish Krone	7.91896	7.36734	+8.51	+6.69	×1.6408
Gorman D-mark	2.13834	2,14778	+0.44	+0.62	+1.1202
French Frant	6.96280	0.84980	-1.62	-1.54	+1.3701
Dutch Guilder	2.40936	2.41921	+0.41	+8.43	±1.5061
Irish Punt	0.712956	0.711470	-8.20	-0.13	±1.6569
Italise Lira	1496.23	1477.68	-1.24	-1.24	+4.0786

MONEY MARKETS

Bank indicates caution

The Bank of England gave some fairly clear indications last week that UK interest rates would not be reduced in the next few weeks. In its quarterly bul-letin the Bank said unit labour costs were too high, and that interest rates might have to be kept high to encontage wage settlements to fall in line with inflation. The quarterly bulletin was

UK clearing bank base lending rate 10 per cent since May 22

letin the Bank said unit labour costs were too high, and that interest rates might have to be kept high to enconrage wage settlements to fall in line with inflation. The quarterly bulletin was published on Thursday, and stressed the importance of improving competitiveness, on the same day it was announced that Britain's visible trade deficit in May had widened to £666m from £265m. On Friday the authorities pro-vided a lorge repurchase agree-ment, for a long period, at a rate In line with market levels, but rather higher than at least

WEEKLY CHANGE IN WORLD INTEREST RATES

LONDON	June 27	change	NEW YORK	June 27	ohange
Base rates	10	Unch'd	Prime rates	Dla	Unch 'o
7 day interbank	10 3	+ +	Fedoral funde	612	·+18
3mth Interbank	9,1		3 Mth. Treasury Sille	8,29	Unch'9
Treasury Blil Tander	9.3029	-0.2021	6 Mth. Treasury Bills		-0.16
Band 1 Sills Band 9 Sills	9.4	Unch 'd	3 Mth. C II	6,64	-0,14
Band 5 Bills	95	Usch d	FRANKFURT		:
Band 4 Bills	9	Uuch d		5.5	Unch' c
3 Mth. Treasury Bills			One mth. Interbank	4.476	Unch' e
1 Mth. Bank Bills	9.1	Unch 'd		4,695	Unch' d
3 Mth. Bank Bills	9.0	-16			
		•	PARIO		
TOKYO	4.85628	+0.0626	Interventios Rate	7	Uuch's
One month Bills	4,71870	+0.05125	One mth. Interbank	7.7	Unch's
Three month Bills :		-0.00120	Three reonth	74	Unch's
BRUSPELS			MILAN		1
One reonth :	7.8	— la		12.6	Unch 'c
Three reonth	24	Unch' d	Three month	19	
AMSTERDAM			DUBLIN		1
One month	84	·	Dne month	9.8	i-nk
Three month :	6,2	+++	Three month	91	i ta

to 14 days band 3 bills 34 to 63 days a sent Bank of England buying nd 4 bills 54 to 91 day

MONEY RATES

june 27	Ov'r nig't	One Month	Two Months	Three Months :		Lorsbard
Frankturt	4.864.50	4,40 4 88	4.45-4.60	4.45-4.60	4,50 4,65	0,0
		710 71a	718 714	718 714	74 74	. 7
Zurich	7g-1 in	5rg -0 1	-	6 5 S	_	. –
Ametordam		817 O.c		0 816	_	· -
Tokya		4,65695		4,71878	_	: -
Milian	1954 125	124 194		114 184	_	: -
Brussala	. 8,80	716-74	· ·	76-7-		i —
Dublin	912 954	91g 91g	. 191a 95a	0.01	9.914	I <u>−</u> .

Fed lusds at Intervention reasons for not cutting interest rates, including West Germany, where money supply growth is giving cause for concern. In Britsin sharp money supply growth is also giving rise to concern, in spits of falling in-flation. West Germany has an even more impressive record on inflation. In Jane year-on-year prices fell 0.2 per cent. Treasury Bills a Dne reanth Two month Three month Die yser

Two year . Three year . Fout year . Five year . Saven year 10 year 30 year BANK OF ENGLAND TREASURY BILL TENDER

: June 27	June 26	June 97 1 June 20
Silis on offer		Top Accepted i 9,5055% 9,5562%
Contail allocated \$100m	9100-	mate of eliconant, 9 \$0294 9 55504
accepted Old £97.68	297.618	Averags yield
minimum level	122	

FT LONDON INTERBANK FIXING

(11,00 a.m. June 97)	Siz months US dollets
Three seatthe US deflers	bid 6 ja Otler 6 ja
The fitting rates are the artificanties mane, spended to the nearest one- inteemb, of the bid and offered rates or \$10m custed by the market to	Sve reference basks at 71 arr sach working day. The benks ers National Westmaster Benk, Bank of Tokyo, Daulache Bank, Sangus Nationals de Paris end Morgao Gustanty That.

LONDON MONEY RATES

June 27	Over night	7 days notice	Month	Three Months	Six Months	One Year
Interbank	_	104-101s	93 104	94.97s 95s-914 95s-914	94-91g	94-94 94-94
Local Author'y Bonds Discount Mixt Depos. Company Depos	9-104	10-104	1018 934 1018-1014	10% 94 97	104	-
Finance House Dopos Treasury Bills (Duy) Bank Dills (Buy)		Ξ	101e 974 975	97 94 94-94	9%	949
Fine Trado Bille (Buy) Dollar CDs	Ξ	Ξ	104 6.85-6.90 6.3-6-1	10- 6.9-6.96 01-04	64-612	84-04
RCU Depos			· 7/ 7/12	7474	74-74	74.75

(sell): one-month Sty per cent three reonths 3's per cent-one-month Sty per cent three months Sty-3's per cent-erege tesder rate at discount 8.3029 per cent. CCGO. Fixed I relevence dets May 7 to juna (inclusive) 10.175 per cent. y and Financa House seven days' solts, others seven days' lourse Saze Rate 10's per cent from June 1 1958. Benk lourse Saze Rate 10's per cent from June 1 1958. Benk Base Rate 10² per cent at seven days' notice 4:35-Retas st seven days s for sums at seven days' notice 4: ait (Series 5): Depent £100,000 and Deposit £100,000 and over hald und the 10 per cent; three-six repaths 34 ine.12 months 65, per class. Under £ per cant sine

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The Greyhound Corporation ("Greyhound") is a holding company which, through its subsidiaries, is engaged primarily in the provision and distribution of a broad range of services and products for consumer and business markets. Its activities are divided into five busicess segments: Consumer Products, Financial, Transportation Manufacturing, Services and Food Service and Transportation Services. The principal executive office of Greyhound is located at Greyhound Tower, Phoemix, Arizona 85077, U.S.

As at 31st December, 1985, Greyhound had consolidated total assets of \$2.9 billion and shareholders' equity of \$1.2 billioo. Greyhound's combined revenues and net income for 1985 were \$3.3 billion and \$120 million, respectively.

Application has been made to the Council of The Stock Exchange for all of the shares of common stock of par value \$1.50 per share of Greyhound to be admitted to the Official List.

SHARES OF COMMON STOCK OF \$1.50 PAR VALUE AS AT 15TH JUNE, 1986

Authorised	100,000,000
Outstanding and fully paid	46,648,614
Held in measury	1,905,748
Reserved for issue	3,328,296

Listing Particulars relating to Greyhound are available in the Extel Statistical Service. Copies of such particulars may be obtained during usual business hours on any weekday (Saturdays and public holidays excepted) up to and including 2nd July from the Company Announcements Office of The Stock Exchange and up to and including 14th July from the principal executive office of Greyhound and from:

The Greyhound Corporation. c/o Greyhound World Travel Ltd... 14-16 Cockspur Street, London SW1Y SBL

Goldman Sachs International Corp. 5 Old Bailey,

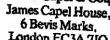
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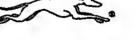
London EC4M 7AH-

• •

James Capel House, 6 Bevis Marks, London EC3A 7JQ

·****** 30th June: 1986 James Capel & Co.,





THE GREYHOUND CORPORATION